[H.A.S.C. No. 99-2]

DEFENSE DEPARTMENT AUTHORIZATION AND OVERSIGHT

HEARINGS

ON

H.R. 1872

DEPARTMENT OF DEFENSE AUTHORIZATION OF APPROPRIATIONS FOR FISCAL YEAR 1986

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

AND

H.R. 1179

PHILIPPINE SCOUTS PAY EQUITY ACT

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES
NINETY-NINTH CONGRESS
FIRST SESSION

Part 6 of 7 Parts

MILITARY PERSONNEL

TITLE V—ACTIVE FORCES, TITLE VI—RESERVE FORCES, TITLE VII—CIVILIAN PERSONNEL, TITLE VIII—MILITARY TRAINING STUDENT LOADS

MARCH 19, 21; APRIL 2, AND 3, 1985

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MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

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99TH CONGRESS
1ST SESSION

H. R. 1872

To authorize appropriations for fiscal year 1986 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 1985

Mr. ASPIN (for himself and Mr. DICKINSON) (by request) introduced the following bill; which was referred to the Committee on Armed Services

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A BILL

To authorize appropriations for fiscal year 1986 for the Armed Forces for procurement, for research, development, test, and evaluation, for operation and maintenance, and for working capital funds, to prescribe personnel strengths for such fiscal year for the Armed Forces, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Department of Defense Authorization Act, 1986".

* * * * * * *

For the Marine Corps Stock Fund, $42,700,000.

For the Air Force Stock Fund, $464,900,000.

For the Defense Stock Fund, $193,500,000.

TITLE V—ACTIVE FORCES

SEC. 501. The Armed Forces are authorized strengths for active duty personnel as of September 30, 1986, as follows:

(1) The Army, 780,800.

(2) The Navy, 586,300.

(3) The Marine Corps, 199,500.

(4) The Air Force, 611,500.

TITLE VI—RESERVE FORCES

AUTHORIZATION OF AVERAGE STRENGTHS FOR SELECTED RESERVE

SEC. 601. (a) For fiscal year 1986 the Selected Reserve of the reserve components of the Armed Forces shall be programmed to attain average strengths of not less than the following:

(1) The Army National Guard of the United States, 444,000.

(2) The Army Reserve, 291,900.

(3) The Naval Reserve, 134,400.

(4) The Marine Corps Reserve, 41,900.

(5) The Air National Guard of the United States, 108,700.

(6) The Air Force Reserve, 75,600.

(7) The Coast Guard Reserve, 12,500.

(b) The average strengths prescribed by subsection (a) for the Selected Reserve of any reserve component shall be proportionately reduced by (1) the total authorized strength of units organized to serve as units of the Selected Reserve of such component which are on active duty (other than for training) at any time during the fiscal year, and (2) the total number of individual members not in units organized to serve as units of the Selected Reserve of such component who are on active duty (other than for training or for unsatisfactory participation in training) without their consent at any time during the fiscal year. Whenever such units or such individual members are released from active duty during any fiscal year, the average strength prescribed for such fiscal year for the Selected Reserve of such reserve component shall be proportionately increased by the total authorized strength of such units and by the total number of such individual members.

AUTHORIZATION OF END STRENGTHS FOR RESERVES ON ACTIVE DUTY IN SUPPORT OF THE RESERVES

SEC. 602. (a) Within the average strengths prescribed in section 601, the reserve components of the Armed Forces are authorized, as of September 30, 1986, the following number of Reserves to be serving on full-time active duty or full-time duty, in the case of members of the National Guard, for the purpose of organizing, administering, recruiting, instructing, or training the reserve components:

(1) The Army National Guard of the United States, 30,679.

(2) The Army Reserve, 14,714.

(3) The Naval Reserve, 19,510.

(4) The Marine Corps Reserve, 1,475.

(5) The Air National Guard of the United States, 7,269.

(6) The Air Force Reserve, 635.

(b) Upon a determination by the Secretary of Defense that such action is in the national interest, the end strengths prescribed by subsection (a) may be increased by a total of not more than the number equal to 2 percent of the total end strengths prescribed.

INCREASE IN NUMBER OF CERTAIN PERSONNEL AUTHORIZED TO BE ON ACTIVE DUTY IN SUPPORT OF THE RESERVE COMPONENTS

SEC. 603. (a) The table in section 517(b) of title 10, United States Code, is amended to appear as follows:

"Grade	Army	Navy	Air Force	Marine Corps
E-9	517	175	80	9
E-8	2,296	381	358	74".

(b) The table in section 524(a) of such title is amended to appear as follows:

"Grade	Army	Navy	Air Force	Marine Corps
Major or Lieutenant Commander	2,476	875	476	100
Lieutenant Colonel or Commander	1,240	520	318	60
Colonel or Navy Captain	360	177	189	25".

(c) The amendments made by subsections (a) and (b) shall take effect on October 1, 1985.

TITLE VII—CIVILIAN PERSONNEL

AUTHORIZATION OF END STRENGTH

SEC. 701. The provisions of section 138(c)(2) of title 10, United States Code, shall not apply with respect to fiscal year 1986 or with respect to the appropriation of funds for that year.

TITLE VIII—MILITARY TRAINING STUDENT LOADS

AUTHORIZATION OF TRAINING STUDENT LOADS

SEC. 801. (a) For fiscal year 1986, the components of the Armed Forces are authorized average military training student loads as follows:

(1) The Army, 79,686.

(2) The Navy, 71,018.

(3) The Marine Corps, 20,766.

(4) The Air Force, 43,389.

(5) The Army National Guard of the United States, 18,886.

(6) The Army Reserve, 16,985.

(7) The Naval Reserve, 3,355.

(8) The Marine Corps Reserve, 3,790.

(9) The Air National Guard of the United States, 2,517.

(10) The Air Force Reserve, 2,352.

(b) The average military student loads for the Army, the Navy, the Marine Corps, and the Air Force and the reserve components authorized in subsection (a) for fiscal year 1986 shall be adjusted consistent with the manpower strengths authorized in titles V and VI of this Act. Such adjustment shall be apportioned among the Army, the Navy, the Marine Corps, and the Air Force and the reserve components in such manner as the Secretary of Defense shall prescribe.

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FISCAL YEAR 1986 MANPOWER REQUIREMENT

House of Representatives,
Committee on Armed Services,
Military Personnel and Compensation Subcommittee,
Washington, DC, Tuesday, March 19, 1985.

The subcommittee met, pursuant to notice, at 10:08 a.m., in room 2118, Rayburn House Office Building, Hon. Les Aspin (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES AND CHAIRMAN, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

The Chairman. We call the subcommittee meeting to order this morning.

We have a couple of members who have just gone to make a quorum at another subcommittee where they're trying to get a vote to go into executive session. They should be back right away.

We'd like to welcome all of you to the hearings this morning of the Military Personnel and Compensation Subcommittee.

We have a very tough job, as you all know, this year because of the deficit. And this is going to be a very tough year for defense spending. So, it's going to be very hard on the kind of issues that we're concerned with. There is, I think, a pretty good case for some enhanced benefits, but it's going to come up against the budget squeeze, which is why we would like to have a chance to talk to all of you this morning about it.

Our witnesses this morning are several of our colleagues who are coming to talk about some of the issues having to do with the family-related issues in the military.

Our leadoff witness this morning is the gentlelady from Colorado, a colleague and member of the committee, a person who is very interested in these issues, and we're very anxious to hear her.

Patricia, why don't you go ahead, and then we'll ask some questions.

STATEMENT OF HON. PATRICIA SCHROEDER, A REPRESENTATIVE FROM COLORADO

Mrs. Schroeder. Thank you very much, Mr. Chairman.

I really am pleased to be here.

I would ask unanimous consent to put my statement in the record and just try to summarize it, rapidly, because I know it is a busy day.

The Chairman. Without objection.

Mrs. **Schroeder**. This is really about the guns-and-butter argument within the military budget. Usually, it's the military budget versus everything else. But this is the argument within.

And I tend to think that often it has been lost in favor of guns, over and over again. And I think it has gone back a lot to the historical tradition of the military, where originally most people were not married and the idea was—is if you have a family, fine, but if we had wanted you to have one, we'd have requisitioned it, and therefore it's your problem.

It has changed drastically now, because for every man in uniform, we have one-and-a-half dependents. And as a consequence, how they are treated and what the quality of family life has become one of the most critical components of whether or not people stay within the military.

I think we also know, with the high tech training that goes on in the military, when we lose someone, it's a great loss to the taxpayer, because they have invested a phenomenal amount of training in that person.

We know, for example, that just an Air Force pilot with 6 years of training costs the taxpayer $350,000. So, that is very significant.

The package that I'm introducing, the Military Family Act, is a comprehensive legislative package that we worked on very, very hard in the Children, Youth and Families Subcommittee that Congressman Coats, who is also a witness at these hearings, and I have overseen.

And we have done this by talking to all sorts of people within the military and without about family life and what is going on.

Basically, there isn't a tremendous amount of additional cost to this, except in the area of dental care. But it is a changing of focus.

We would establish within the Department of Defense an Office of Family Policy. There's one there now, but it has one temporary employee. We think this needs to be much more of a focus.

We would transfer the Military Family Resource Center from the Assistant Secretary of Health Affairs to Manpower, because we really think it's more a manpower issue now because it's so clearly with retention.

When you look at housing, we really think it's time DOD does a survey and study on the availability and affordability for each rank, rather than a lump sum idea. We would allow military members to continue to deduct housing expenses from their income, and we would also allow the Secretary of Defense to establish a program to provide relocation services to members who make a permanent change of station.

In the whole permanent change of station, we are basically bringing people up to what other Federal employees get. Our theory is they all work for the same flag. And if they work for the same flag, they ought to get the same compensation.

Now, people may argue that there will be a high cost for this. The cost is really determined by how many times you make them change stations. But you shouldn't have the individual subsidize the move, and that's precisely what's going on now.

An E-4 in the Navy has a 250-pound moving allowance. Well, you don't move very much for that. I'm not sure—you can move a dog and a couple of pounds for that, to be really honest. So, very,

very rapidly, you're pocketing—you're paying out of your own pocket what was required.

So, in the whole area of the permanent change of station, in essence, what we are doing is bringing it up to equity with other areas of the Federal Government, and we have studied that very thoroughly, since I chair the Civil Service Subcommittee.

Now, we look at spouses and dependents, and employment has become an absolutely critical issue in this society, because as we know, most families cannot survive on one income alone.

So, in the bill, we would really make an emphasis to do for the military what we have done in the foreign service. And that is to give spouses and dependents a preference—not over veterans. I want to be sure to assure the gentleman from Mississippi that the veteran's preference is still primary, but the spouse and dependent preference would come right below that, in the GS jobs, in the other jobs from nonappropriated funds, and so forth. And we feel that's very, very important, again, to the quality of life and so forth.

And the child care. We try and mandate that they do 24-hour-a-day child care if the mission on the base requires it. Now, if it doesn't require it, that's different. But it doesn't make sense to have a mission requiring 24 hours and not provide it.

We also allow more opportunity for spouses to work in DOD day-care centers, and we say that people can work in their homes on the base. There has been a problem on some bases not allowing spouses to take in any kind of commercial enterprise within their home, because some base commanders felt there might be additional electricity used or something. But again, I think that it's terribly important to move forward on that.

In youth and teenagers, everybody who has a teenager knows that they are a problem. And this would say that there should be a youth sponsorship program on all bases to do whatever we can.

It also allows DOD to help children in secondary schools. Virginia is a classic example. The State of Virginia has changed its degree requirements, so there are better high school degrees and—you know, lesser high school degrees.

Your problem is, if you're a military child moving in and you only have a year and a half to go, sometimes you're relegated to having to take the lesser degree because you don't have time to go back and make up the requirements that were required to get the top degree. That is wrong; those children should not be stigmatized. And this would allow DOD to negotiate on that with the different States when they move into those systems.

It would also repeal the DOD dependent schools transfer to the Department of Education.

I feel it's a unique and very different type of education we're talking about here and that it really belongs under the Department of Defense.

I mentioned the dental thing before. It provides a voluntary dental plan for active duty members and their dependents. Having just had an 18-year-old fall and knock out all his front teeth, now having 6,000 dollars' worth of designer teeth, it is a very important component, I think, as we look at dental care and what happens.

And finally, for the reservists, we expand the use of commissaries and post exchanges by reservists, because we feel that that is the fair thing to do.

This is a rapid, galloping overview of what we're trying to do. And again, basically the money is in, one, the dental and, two, the permanent change of station if they continue to do them at this pace. Our hope is they would follow the Air Force model and start to trim back the numbers of transfers, and that would make up the difference in the money.

So, I thank you very much for allowing me to be here. And I would certainly hope that we could all work very, very hard on trying to get this into the law this year.

PREPARED STATEMENT OF HON. PATRICIA SCHROEDER

I'm glad to be here to talk about the quality of life within the military. I feel strongly that in helping the military family, we increase the effectiveness of our military forces. Today, I am introducing the Military Family Act, which is a comprehensive legislative package aimed at strengthening and enhancing the well-being of the military family.

In preparing this package, I have worked with representatives of the armed services and military family organizations to develop improvements in military housing, spouse employment, relocation, family policy, day care, and youth development programs.

Over 3.7 million people are members of U.S. military families. In Germany alone, the U.S. military community totals about 500,000. U.S. military families serve along with the military person they accompany. In fact, there are 1.5 family members for every one of our uniformed military personnel.

The Military Family Act of 1985 is designed to improve retention and readiness in the armed services.

The retention of highly trained technicians and specialized professionals is critical to the success of the all-volunteer service especially in an era of sophisticated weaponry. The replacement costs that result from the separation of a skilled service person are high. For example, to replace one experienced Air Force pilot with six years training costs the taxpayers $350,000.

The Department of Defense concludes that one of the single most important factors in a service member's decision to re-enlist is family support. Meeting the needs of military family members is, therefore, crucial to retaining service members in the military.

The well-being of military families also contributes to readiness, the ability of our military services to be mobilized and deployed in a moment's notice. Qualified, trained, and motivated people are the heart and soul of a ready force.

Morale is key to maintaining force readiness. To maintain morale, the military family must perceive their compensation as fair and equitable in light of hardship and risks they incur.

I note that my colleague Congressman Coats is also a witness at these hearings. I look forward to working with him and the Select Committee on Children, Youth and Families in the near future on matters affecting military families as well as other issues of mutual concern.

I'd like to briefly go over the issues addressed by the Military Family Act with you:

THE MILITARY FAMILY ACT OF 1985

(Sponsor: Representative Patricia Schroeder)

FAMILY POLICY

Establishes an Office of Family Policy within the Department of Defense (DOD).

Transfers the Military Family Resource Center from the Assistant Secretary of Health Affairs to the Assistant Secretary of Manpower.

HOUSING

Requires the DOD to conduct a study on the availability and affordability of housing for each rank for all services.

Permits military members to continue to deduct housing expenses (mortgage and real estate taxes) from their income.

Allows the Secretary of Defense to establish a program to provide relocation services to military members who make a permanent change to station.

PERMANENT CHANGE OF STATION

Authorizes a temporary lodging expense for four days at a rate of $110 per day.

The rate of reimbursement for travel and transportation expenses for baggage and household effects will be equivalent to that paid to the civil service.

Raises the mileage allowance for transportation of privately owned vehicles.

Provides military dependent students who are enrolled in school in the U.S. one round trip per year to their parents' duty station in Hawaii or Alaska.

EMPLOYMENT FOR SPOUSES AND DEPENDENTS

Allows for limited commercial activity in family members' homes on base.

Requires DOD give preference in hiring to spouses when they make the list of best-qualified candidates for any DOD position at a grade of GS 8 or above, after veteran's preference is satisfied.

Requires preference in hiring for all DOD non-appropriated fund positions be given to spouses and their dependents.

Requires preference in hiring for any available DOD position at a grade of GS 7 or below be given to spouses and their dependents, after veteran's preference is satisified.

CHILD CARE

Provides for the operation of child care facilities on a 24 hour basis when necessary to meet mission requirements.

Improves employment opportunities for spouse in DOD child care facilities.

YOUTH

Establishes a youth sponsorship program on all bases.

Requires DOD to make recommendations to assist children in secondary schools who must transfer with their parents to an area with different graduation requirements.

Repeals the transfer of DOD dependent schools to the Department of Education.

DENTAL

Provides a voluntary dental plan for active duty members and their dependents.

RESERVISTS

Provides expanded use of commissaries and post exchanges by Reservists.

FAMILY POLICY

Although the office of the Secretary of Defense has an office responsible for family issues, the office is staffed by one, temporary, person.

We need a office staffed with personnel within the office of the Secretary of Defense to act as an aggressive advocate for military families.

For these reasons the Military Family Act would:

Establish an office of Family Policy within the office of the Secretary of Defense. The office shall be under the assistant Secretary of Defense for Manpower, Installations and Logistics. The office would oversee existing military family programs and make program and policy recommendations.

The office shall be staffed with 5 permanent professional positions.

Child and spouse abuse, divorce and substance abuse are on the rise at almost every base. The stress and economic hardship of the military life style are major contributors to these problems. Since the causes of family violence are related to hardship incurred by the military life style, the Military Family Resource Center (which deals with family violence and substance abuse) should be located in the department that handles personnel issues.

The Military Family Act would:

Transfer the Military Family Resources Center from the Assistant Secretary of Health Affairs to the Assistant Secretary of Manpower, Logistics, and Installations.

HOUSING

Approximately 40% of all military families live in military housing, while 60% live off-base. Enlisted men and their families are struggling because there is not enough military housing to accommodate them and their pay is too low to live comfortably off-base.

The families who must live off base receive a housing allowance. This allowance, however, is inadequate in areas with a high cost of living, such as Washington D.C., California, and New York.

More personnel need to live in military housing overseas because it is difficult and expensive to live off-base. The availability of off base housing in foreign countries is limited and subject to heavy competition.

Families that live off-base overseas must also cope with cultural and language differences. They are more subject to isolation since they often do not own automobiles and public transportation is inadequate.

As a result, many military personnel don't take their families with them when they are reassigned overseas. Some base assignments, such as Korea, specifically exclude family relocation from the move.

Waiting lists for military housing are long on bases both overseas and in the U.S. Fort Hood, Texas, has a list of 3,858 families waiting to move on base. Stuttgart, Germany, has a list of 1,110 families.

The Military Family Act would:

1. Require DOD to study and report to Congress on the availability and affordability of housing for each rank for all services.
2. Allow the Secretary of Defense to establish a program to assist families being relocated in the U.S. and overseas. DOT will be authorized to enter into contracts with private sector firms that can arrange for suitable housing for families' new duty stations.
3. Repeal a pending Internal Revenue Service Ruling that would prevent military homeowners from deducting a portion of their mortgage interest and real estate taxes from their taxable income.

If the IRS is permitted to go forward with its ruling, 270,000 homeowning service members will be adversely affected. They will suffer an actual cut in take home pay of between 4 and 6 percent. DOD estimates that it would lose 9,000 career service members within the first five years after the ruling is implemented. The probable costs to DOD of allowing the ruling to stand will outweigh the increase in revenue to the Treasury

Those members who remain in the service but who are unable to continue home ownership will begin competing for on-base and rental housing, putting further strains on what is already a desperate military housing situation in some parts of the country.

PERMANENT CHANGE OF STATION

On the average military families are reassigned every 2.2 years, creating social and economic stress on families. For example, a 1982 Air Force survey revealed that for every $3 spent by a service member in moving costs during a permanent change of station, only $1 was reimbursed by the government. Members frequently use up their savings or are forced to take a loan in order to move their family and household goods to a new duty station.

The Military Family Act will increase the reimbursement levels for transportation of household goods to that given federal civilian employees. The reimbursement levels will be the same for all ranks of the service, in the same manner as the federal civil service.

The mileage allowance for transportation by privately owned vehicles will also be raised to that given federal civilian employees.

Members and their families will be reimbursed for four days of temporary lodging expenses at $110 per day.

Currently, dependent students who go to school in the U.S. but whose parents are based overseas are entitled to one round trip airline ticket per year to visit. When your new assignment is in Hawaii or Alaska it is not considered overseas, but with airline tickets costing as much is $1,289 round trip it might as well be.

The Military Family Act will permit dependent students who are enrolled in a school within the continental U.S. to a round trip ticket once a year from a port of entry in the U.S. to their parents duty station if their parents are stationed in Alaska or Hawaii.

EMPLOYMENT OPPORTUNITIES FOR SPOUSES AND DEPENDENTS

Some of our military families survive on food stamps and live in tents. More military families would be in those dire straits except that many military spouses work. Military spouses provide an average of 30 percent of a military family's total income, compared to 19 percent in civilian families.

Employment opportunitites for spouses and dependents, however, are often limited. The unemployment rate for spouses in the military is 17 percent, three times the rate for civilian spouses, due to high unemployment rates in military base areas, refusal of local employers to hire members of military families, or, in foreign countries, laws which prevent family members from working.

The economic situation of the member's family is one of the major considerations in a decision to re-enlist. If a family is not doing well economically because the nonmilitary spouse is unable to find a suitable job, a highly skilled military member may decide to leave the service. The departure of such people affects readiness, and costs thousands of dollars in replacement costs for each person lost. Since DOD is frequently the major civilian employer in many areas, it makes sense to look to DOD as a source of employment for military families.

The Military Family Act will expand employment opportunities for families in the following ways:

Spouses and dependents of members will be given preference in hiring for nonappropriated fund positions. These include jobs located on base such as commissary cashiers and lifeguards.

Spouses will be given preference in hiring for DOD civilian positions at a grade of GS 7 or below, after veterans preference is satisfied.

Spouses will be given preference in hiring for DOD civilian positions at a grade of GS 8 or above, if they are on the list of best qualified candidates, after veterans preference is satisfied.

Standards allowing limited commercial activities in base quarters will be issued. This would allow the spouse who wishes to do so to work out of her home. Some examples of such work include selling cosmetics or houshold items, using a home computer to provide data processing services or any other activity which does not interfere with the base mission.

Military life, here and overseas, increases the need for child care facilities. Military families are stationed away from their hometowns and away from traditional support systems, such as extended families, churches and neighbors. In many cases the base itself is geographically isolated, especially overseas.

In the Army alone there are approximately 600,000 dependents, 300,000 under the age of six. In Army child care centers, however, there is only one slot for each 1,000 children.

As of 1982, more than one million spouses of military members were working, 65% of all military spouses. Many of these military spouses have dependent children at home.

Child care needs of military families impacts on military readiness. More men in the military are obtaining custody of their children after divorce. As a result, the military must be able to respond to day care needs both during regular duty and during mobilization exercises. Child care planning enhances readiness.

The Military Family Act requires DOD to ensure that all child care facilities can provide 24-hour coverage to meet these needs.

Child care provided by DOD to military children should be more than warehousing. Experts agree that involvement by parents reduces the risk of abuse or neglect by child care staff. One way to ensure involvement is to hire the spouses of members whose children are cared for in DOD facilities.

The Military Family Act requires DOD to improve opportunities for spouses to obtain employment at DOD child care facilities.

YOUTH

While we talk of the stress and financial dificulties the military life style has on its family members, there is one aspect that you cannot put a dollar sign on, the impact on children. The suicide last year of young Danny Holley, who hanged himself because he felt if there was one less mouth to feed, his family would be better able to survive is a chilling example.

Divorce, alcoholism and child and spouse abuse are on the rise at almost every base.

The Military Family Act will establish at each military installation the framework for a youth sponsorship program to help the integration of dependent children of military members into their new surroundings when moving. This will work along the same line as the sponsorship programs for families. This program will be different in that it encourages young people to sponsor other youngsters their age.

Most high school students will move at least once during their high school years. Such a change can keep a student from obtaining a high school degree that will enable him or her to attend the college of their choice. Criteria for graduation varies from state to state. The military high school dependent may fulfill requirements in one state only to move to another state with different requirements. Because of reasons beyond his control, the student may be unable to graduate as planned.

The Military Family Act will require DOD to make recommendations for any administrative and legistlative changes that may be necessary to assist families when transfering between secondary schools with different graduation requirements does not undergo unnecessary disruptions in education or have inequitable or unduly burdensome or duplicative requirements.

The Military Family Act would repeal a law that would transfer control of DOD dependent schools to the Department of Education by 1986.

RESERVE USE OF COMMISSARIES AND POST EXCHANGES

Under current law, reserve personnel are allowed commissary and post exchange privileges only while on reserve duty serving their annual two weeks of active duty training

Expanding these privileges would serve as a low cost recruiting and retention tool for the reserves, and would enhance the ability of the reserves to meet manpower requirements. An ongoing study conducted by the DOD believes that expanding these privileges would not unduly interfere with current commissary and post exchange operation.

DENTAL INSURANCE FOR ACTIVE DUTY DEPENDENTS

Seventy percent of major civilian employers have a dental benefit for employee families. Federal civilian employees are generally able to choose health insurance that provides some type of dental coverage. Families of military members, however, are permitted no dental care under the terms of their health insurance program, CHAMPUS. As a consequence, many military families simply are unable to afford dental treament. Poor dental health in the long run will lead to more costly medical problems which is paid for by the Military.

The Military Family Act will establish a voluntary dental insurance program for active duty dependents. Premiums would be shared by enrollee and the service branch. The plan will provide for preventive care and fillings for dental decay, which are the most commonly used dental services.

The **Chairman**. Thank you very much, Congresswoman Schroeder.

Are there any questions?

Mr. Montgomery.

Mr. **Montgomery**. Thank you, Mr. Chairman.

Pat, it's rather interesting that I have introduced a package of initiatives for the Reserves and National Guard, and one of those packages is family support.

Mr. Chairman, we met with the different Reserve groups, and one thing that came forward, as far as reservists are concerned, is to have the families comfortable with their husbands serving on weekends and going off to summer camp.

In one of my initiatives, we did include the commissary privileges.

What I tried to do on the Reserve initiatives, like family support, to not have any high-cost items, such as extending the life insurance from $35,000 to $50,000, commissary privileges, and one or two other areas.

What's the cost of this bill that you've introduced?

Mrs. SCHROEDER. Well, it's hard to put an exact figure on the change of station, because it depends on how many times the military continues—you know, continues to ask people to change stations.

But the problem that we have right now is that the average person in the military, if you average it out among all services, every time they move they reach into their own pocket to the tune of about $3,500. And I find that an outrage.

We are asking them to subsidize moves that we mandate they make.

So, what my bill does is give them the same thing that they would get if they were civil servants being ordered to change stations. And what that will eventually cost depends on how many times they're asked to do it.

But again, it goes back to the—they work for the same flag, and it's unfair that if you're a civilian you get X and if you're military you get Y. And you subsidize the additional moves.

And I think everybody realizes it has been—it has been almost 20 years since they've even looked at the weight limits that they've had. And that's back when everybody was single.

As I said, an E-4 in the Navy gets 250 pounds. I mean, how realistic is that today?

So, that one is hard to put a dollar figure on, but they can control it by how many moves they do.

Now, when you come to the dental care—Karen Heath and staff has helped us a lot with that and thinks there are ways that we can bring the cost of that down. But otherwise, it would be a significant add-on cost. That would be the major add-on cost. The other things are like—I mean, the study of the housing——

Mr. MONTGOMERY. The dental costs would be more than the moving?

Mrs. SCHROEDER. It depends on how many moves they make.

The Air Force is now trying to get up to moving every 48 months, when possible, which is a lot different than 18 months. So, your add-on costs you could change by not moving people so frequently.

The CHAIRMAN. Any other questions?

Mr. SISISKY. Yes; I'm a great supporter of the commissary and the post exchange. And you know the attacks that they usually come under every 1 or 2 years.

Do you think this would increase the attacks? After all, you're talking about Reserves, and that's just one step away from the National Guard doing that, too. And I have some reservation about that, in all honesty, and I can understand that it probably would enhance the ability to attract reservists.

But I worry about our budget problems with the States. You know that we're going to be cutting some money to the localities and to the States. And I'm concerned about the loss of sales tax and other things that would put the commissary even under more pressures. And I just have reservations about that. But I understand exactly what you're doing, but I have some serious reservations.

Mrs. SCHROEDER. No; I hear exactly what you're saying.

We limit it. It is a tradeoff, day for day, day on duty, day being allowed to shop. We don't just allow you to go in there anytime and do it.

And I hear that. The only thing that I figure is it's going to be very, very difficult to give anybody pay increases for a long time. And one of the main reasons people stay in the Reserves and deal with the disruptions in their family is for money and hopefully a little higher standard of living.

So, if you can't do much about pay, it seemed to me one thing you might be able to do is allow them to use that. And we could certainly talk about that. But I think that it's a low-cost recruiting item, and therefore it's also a retention tool. And I think that could be very important.

Mr. SISISKY. Thank you.

The CHAIRMAN. Any other questions?

Pat, thank you very much. We've talked about this thing, and I think we're going to go ahead and try to do something with your package. I appreciate your coming and laying it out for the committee. Thanks very much.

Mrs. SCHROEDER. Thank you very much, Mr. Chairman.

The CHAIRMAN. Our next witness this morning is our colleague from California, a gentleman who I very, very much admire and whose judgment and whose knowledge is among the best.

If you talk about a half dozen best Members of Congress on the Democratic side, the gentleman from California would clearly be among them.

And I welcome you this morning, Leon.

STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE FROM CALIFORNIA

Mr. PANETTA. I thank the chairman very much and appreciate the opportunity to come here and to discuss this legislation.

I would ask that my statement also be made part of the record, if I might.

The CHAIRMAN. Without objection.

Mr. PANETTA. Mr. Chairman and members of the subcommittee, I appreciate your allowing me to testify this morning.

I believe we are seeking relief for an element that is extremely important to our national defense: the human element. And I think we have to begin to focus on their needs and at least try to meet their needs in an adequate way.

I served 2 years in the Army and had my family in the Army, so I understand what that means from a personal side. But I also represent the area that involves Fort Ord, CA. And last year there was a tragedy there that I think most of you are aware of the suicide of 13-year-old Danny Holley.

Time, obviously, has not altered the grief that all of us feel for one who was so young. But the questions raised by his death just simply have not gone away. They linger. And we wonder whether we offer adequate military compensation when a young boy kills himself to try to ease his family's financial situation.

Sadly, time I think has shown us that the story of the Holley family is not unique. Service personnel and their families today are based in more countries than ever. They're scattered in some 90 foreign countries. Today's military family moves on the average of once every 2 years. That means that every 2 years a family has to uproot itself and sell its home and many of its belongings, pull its children out of school and try to move across a State or across a country or, in many cases, across the ocean. And once they wind up on base, they've got to try to find housing, or put a deposit down for off-post housing. And so, from the very beginning they're $1,500 to $2,000 in debt, and they're trying to make up for it. And then, before you know it, they're moving again. Just at the point when they've been able to meet their debt, they're suddenly thrown into additional debt by another move.

And that's a story that we're seeing over and over again.

If you go to a high-cost area, as the Monterey Peninsula is, then those families are in debt almost $3,000 to $4,000. The Holley family was almost $4,000 in debt once they put up their deposit, were able to get their home, and had borrowed money to try to keep that family going in the interim. It was a situation that makes it impossible for families to survive.

For that reason I want to focus on several key changes that I think need to be made with regard to active duty military personnel.

I know there's the discussion on Reserves, and obviously that's something to be considered. But my primary concern is with regard to the active-duty personnel, because I think that's a crisis area that needs to be addressed right now.

I introduced, last October, the Military Family Service Act, and I have since reintroduced it, in early February.

There are four basic elements that I would draw your attention to, and hope that the subcommittee can focus on, that I think are crucial.

One is the permanent change of station reimbursements. I think it's absolutely essential to look at the mileage issue and try to raise the amount of mileage reimbursement that is provided for our troops from 15 to 18 cents, so that it is comparable to civil servants. I think that's a minimum change that needs to be made.

The weight limitations need to be increased as well. The weight allowances that are provided simply are inadequate for a young family. It's totally inadequate for a young E-4, or E-3, for example, and doesn't even begin to meet their needs.

So, some increase in the weight allowances is essential. And we provide for a scale to do that.

The last reimbursement area is related to reimbursement for lodging. When a military family moves to a new area, they get absolutely no reimbursement whatsoever. If they have to go into a motel or a hotel while they're looking for housing or waiting for housing, they get no reimbursement. We do that now, at a minimum, with civil service families.

So, I think that kind of reimbursement is another minimum requirement that's essential. These families have a tough enough time, in terms of the debts that they have to face, much less having to pay for temporary housing.

The second area is the dental plan, which I know the Pentagon had discussed itself and Pat includes in her bill. And I do hope that you give some consideration to that, because it is necessary for dependents of active-duty members.

The third area is the area related to housing specifically. I propose to reduce to 12 percent the maximum unreimbursed costs for enlisted personnel renting off base.

And in addition, I want to recommend that you authorize a pilot program—which we're working on, incidentally, in the Monterey area—that would test the feasibility of off-base rental, house leasing, in an indemnity-type program, under which civilian lessors would forego security deposits in return for a guarantee that any damage or losses resulting from a breach of the contract would be covered by the command.

In Monterey, what we're trying to do is to say that if the landlord will forego a deposit—particularly the first month's deposit—then, as one of the requirements for actually moving that soldier off base, one of the checks would be to require that soldier has made a final rent payment and that they've cleared with the landlord.

It's basically a method of trying to ensure that person will meet his or her debts at that point.

It's a community program. I hope we can get it in place sometime within these next few months on a voluntary basis.

And last, I would ask that you establish an Office of Military Family Services. The office would be responsible for trying to develop and administer a servicewide family program that would provide services such as financial and family counseling, resource and information referral, spouse employment referral, consumer protection, and family advocacy services.

One of the problems we had with the Holley family that—and I think it's true for other families—is that they moved to a new post where different services provided different needs, but where they aren't unified in any way. Some of these families move to an area and there's no outreach program to make sure that there's some contact so that they know there's a support system.

The wives of the military families at Fort Ord have now set up a family counseling service on their own, to try to assist families that move in. That's all well and good. But I think rather than have it done on a haphazard basis, from post to post, I think some kind of comprehensive family services program, unifying these services in some way, makes a great deal of sense.

Mr. Chairman and members of the subcommittee, those are some of the thoughts that are contained in the legislation that I've introduced. I hope you will consider them because I think it's extremely important to the morale of our forces that we provide some help along these lines.

I know that it's easy to grieve over a tragedy like the Holley incident and try to respond in some token way. But I'm asking that there be something substantively done here to try to meet the needs of military families that I see firsthand and I think all of you are aware of.

And if we can do that, I think it would be extremely important, in terms of protecting our overall national defense, because it would deal with what I think is an important element, which is the human element.

Thank you very much, Mr. Chairman.

PREPARED STATEMENT OF HON. LEON E. PANETTA

I would like to thank the Chairman and the Members of this Subcommittee for allowing me to appear today to speak on a subject I consider very important. I believe it is even more important now, at a time when the major military considerations seem to be how much to spend on a missile system or a hammer, that we not overlook the most important element of our military: the human element. I am talking, of course, about the men and women who serve this country in uniform, but I am also talking about their families. More military personnel are married today than ever before, and their families are expected to make the same commitments and sacrifices that they make.

We expect so much of our uniformed personnel; we expect them to be willing to accept new assignments far away from family and friends, we expect them to pack up their families and move across the country, or the ocean, and we expect them to remain silent about the financial and emotional burdens such expectations inflict. I believe this is too much to expect, and I hope that we can begin to take action today to ease these burdens and lower these expectations.

It is now almost seven months since thirteen-year-old Danny Holley hanged himself. Time has not altered the grief we feel at the loss of one so young; one who saw that expectations had strapped his family financially and emotionally, and nearly brought them to the breaking point. The questions his death raised have not gone away. They linger. We wonder whether we offer adequate military compensation when a young boy kills himself to ease his family's financial situation.

Sadly, time has shown us that the story of the Holley family is not unique. Service personnel and their families are today based in more countries than ever before, scattered in some 90 foreign countries. In addition, today's military family moves on the average of once every two years. That means that every two years a family must uproot inself, sell its home and many of its belongings, pull the children out of school, say goodby to friends, and move elsewhere. That move could be across the state, or across the country, or, in many cases, the ocean. Such a move does not come cheap and the military family is expected to bear this financial burden, until reimbursement comes later.

The last congress made several important changes in the way housing allowances are calculated in an attempt to ease the burden on military families. And this year we are considering construction to increase the housing available to military families. But I believe we must go farther. Providing more housing and altering housing allowances are a good beginning, but they do not address the spectrum of difficulties that military families the world over still face. For this reason, I recently introduced the Military Family Services Act of 1985 to improve benefits and services in four vital areas.

First, in the form of permanent change of station reimbursements. None of us here has to be told how expensive travel is, but when that travel is Government-ordered there ought to be equitable reimbursement. The Air Force estimates the median unreimbursed cost incurred during Government-ordered travel to be between $1,500 and $2,000. For this reason, the plan I propose would overhaul mileage and household goods weight allowances to better reflect these high travel costs.

Secondly, the Military Family Services Act would authorize a voluntary enrollment dental plan under which basic dental care would be available for the first time to dependents of active duty members. The costs of this program would be shared by the member and the Government, with the Government contributing at least 40 percent, but not more than 60 percent of the premium.

Thirdly, the plan I propose would reduce to 12 percent the maximum unreimbursed costs for enlisted personnel renting offbase. In addition, I propose to authorize a pilot program to test the feasibility of an offbase rental housing lease indemnity program under which civilian lessors would forgo security deposits in return for a guarantee that any damage or losses resulting from a breach of contract would be covered by the service member's command. Any unpaid balances would be recovered through payroll deductions.

Finally, I propose the creation of an Office of Military Family Services. This office would be responsible for developing and administering a servicewide family program. Services would include: financial and family counseling, resource and information referral, spouse employment referral, consumer protection, and family advocacy services. In addition, the Office would be required to operate an Outreach Program targeted at families separated by overseas assignments.

Mr. Chairman and Members of the Subcommittee, I urge you to consider these proposals. I do not believe it is being unrealistic to state that the morale of our armed forces is at stake. In an era of the All-Voluntary Force, we must not overlook the importance of providing adequate services and compensation to our military personnel and their families. How can any of us possibly expect to be able to attract the best and the brightest of our nation's young people to the military if some of our personnel are forced to live on food stamps, families are forced to live miles apart, and children like Danny give up hope.

I submit to you that no matter how much we spend on space-age offensive and defensive weapons and how long we talk about our conventional arms capability, we have no hope of having an adequate military force if we refuse to provide a decent standard of living to our military personnel.

I am talking about more than grief over the loss of Danny Holley, or the outrage over any number of personal hardships we have all heard about from those in the military. It is always easy to seize on these tragedies and express frustration or offer token proposals, but it is far more difficult to use the opportunity to do something substantial. We here today have that opportunity.

The Military Family Services Act of 1985 is more than an expression of sorrow or outrage; it is a workable proposal put before the esteemed members of this Subcommittee. It offers proper compensation for Government-ordered travel, voluntary dental benefits, help with expensive offbase housing, and a government agency to turn to when other avenues of assistance have been exhausted. These are realistic proposals, and, I would submit, the minimum that we must provide. The morale and quality of our military force is in jeopardy. Despite record peacetime spending on defense, however, we have failed to respond to many of these needs.

I ask you today to begin to respond to these needs. Listen to the voices of our service men and women who ask not that their lives be made more comfortable than anyone else's, but merely that their lives not be made any more burdensome because they have chosen to dedicate themselves to this country's defense. I have heard these voices, coming from Fort Ord in California as well as from men and women stationed all over this country and in Europe as well. They have written because they hope and pray that now we, as government officials and concerned citizens, are now prepared to take a stand. They sense that we are on the verge of responding to the complaints that for so long were masked by quiet, military dignity. Let us not turn our backs on these service men and women and say that their sacrifices have gone unnoticed.

I introduced the Military Family Service Act of 1985, but I am not its sole author. In a sense, this legislation was written by the men and women literally all over the world who have broken that military silence and admitted that they cannot survive on the compensation the military currently provides. They all have a hand in this legislation, and their hopes and prayers are pinned to it. I urge this subcommittee to consider this legislation carefully, and commit itself to providing for a decent standard of living for those Americans who have dedicated their lives to the service of our country.

99TH CONGRESS
1ST SESSION

H. R. 1371

To expand and improve benefits for active duty military personnel and their dependents.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 28, 1985

Mr. PANETTA introduced the following bill; which was referred to the Committee on Armed Services

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A BILL

To expand and improve benefits for active duty military personnel and their dependents.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SHORT TITLE

SECTION 1. This Act may be cited as the "Military Family Services Act of 1985".

PERMANENT CHANGE OF STATION REIMBURSEMENTS

SEC. 2. (a) Section 404(d) of title 37, United States Code, is amended by striking out "per mile prescribed by the Secretaries concerned and" each place it appears in paragraphs (1) and (3) and inserting in lieu thereof "of 18 cents per mile".

(b) Section 406(b) of title 37, United States Code, is amended—

(1) in the first sentence of paragraph (1) by striking out "prescribed by the Secretaries concerned" and inserting in lieu thereof "provided under paragraph (3) of this subsection"; and

(2) by adding at the end thereof the following new paragraph:

"(3) The weight allowances authorized under paragraph (1) of this subsection are as follows:

"Pay grade	Weight allowance
Commissioned officers:	
O-10	17,500
O-9	17,500
O-8	16,000
O-7	15,000
O-6	14,500
O-5	14,000
O-4	13,000
O-3	12,000
O-2	11,000
O-1	10,000
Warrant officers:	
W-4	13,000
W-3	12,000
W-2	11,000
W-1	10,000
Enlisted members:	
E-9	12,500
E-8	12,000
E-7	11,000
E-6	9,000
E-5	8,000
E-4 over 2 years	7,500
E-4 under 2 years outside the U.S.	6,000
E-4 under 2 years inside the U.S.	5,000
Academy cadets, midshipmen	1,500
Aviation cadets	1,500".

(c) Section 404a of title 37, United States Code, is amended—

(1) in subsection (a) by striking out "a member" and inserting in lieu thereof "an enlisted member"; and

(2) in subsection (c) by striking out "$110" and inserting in lieu thereof "$100".

(d) The amendments made by this section shall be effective with respect to travel and transportation begun after September 30, 1985.

DEPENDENT DENTAL COVERAGE

SEC. 3. (a)(1) Chapter 55 of title 10, United States Code, is amended by adding at the end thereof the following new section:

"§ 1094. Dependents' dental program

"(a) The Secretary of Defense may establish voluntary enrollment premium-sharing dental benefit plans for spouses and children (as described in section 1072(2)(D)) of members of the uniformed services who are on active duty for a period of more than 30 days. Plans under this section shall be administered through regulations prescribed by the Secretary of Defense, in consultation with the administering Secretaries.

"(b)(1) Members enrolling in a dental benefit plan established under subsection (a) shall be required to pay a premium.

"(2) The Secretary of Defense shall establish the amounts of the premium to be paid by the member, except that such amount shall not be greater than 60 percent, or less than 40 percent, of the total premium, and shall establish such procedures as may be necessary to verify that a spouse or child receiving care is properly enrolled under such a dental plan and qualified to receive such care.

"(c) The member's share of the premium for any dental benefit plan established under subsection (a) shall be paid by payroll deductions.

"(d) A dental plan established under subsection (a) may only provide for—

"(1) diagnostic, oral examination, and preventive services and palliative emergency care; and

"(2) basic restorative services of amalgam and composite restorations and stainless steel crowns for primary teeth, and dental appliance repairs.

"(e) A spouse or child receiving dental care may not be required to pay for charges for the services described in subsection (d)(1) and shall pay 20 percent of the charges for the services described in subsection (d)(2).

"(f) If a member is transferred to a station where dental care is provided to the member's spouse or children under any program other than a plan established under this section, the member may discontinue such member's participation under any plan established under this section. If such a member is subsequently transferred to a station where dental care is not provided to such member's spouse or children, except under a plan established under this section, such member may re-enroll in such a plan.

"(g) The authority of the Secretary to enter into contracts under this section shall be subject to the availability of appropriations for such purpose.".

(2) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

"1094. Dependents' dental program.".

(b) Section 1077 of such title is amended by adding at the end thereof the following new subsection:

"(c) Persons enrolled under a dental plan under section 1094 of this title may not be provided dental care under section 1076(a) of this title except for emergency dental care or for care which is not part of the dental plan under section 1094 of this title.".

(c) The amendments made by this section shall take effect on January 1, 1986.

VARIABLE HOUSING ALLOWANCE

SEC. 4. Section 403a(c) of title 37, United States Code, is amended—

(1) in paragraph (1) by inserting after "member of a uniformed service" the first place it appears the following: ", other than an enlisted member,";

(2) by redesignating paragraphs (2) through (5) as paragraphs (3) through (6), respectively;

(3) by inserting after paragraph (1) the following new paragraph:

"(2) The monthly amount of a variable housing allowance under this section for an enlisted member of a uniformed service with respect to an area is the difference between (A) the median monthly cost of housing in that area for members of the uniformed services serving in the same pay grade as that member, and (B) 77 percent of the median monthly cost of housing in the United States for members of the uniformed services serving in the same pay grade as that member.";

(4) in paragraph (5), as redesignated by this section, by striking out "80 percent" and inserting in lieu thereof the following: "(A) 80 percent, in the case of members of the uniformed services other than enlisted members, or (B) 77 percent, in the case of enlisted members,"; and

(5) in paragraph (6), as redesignated by this section, by striking out "paragraph (2)" and inserting in lieu thereof "paragraph (3)".

OFF-POST RENTAL HOUSING LEASE INDEMNITY PILOT PROGRAM

SEC. 5. (a)(1) The Secretary of each military department may enter into agreements with lessors having rental housing units located near military installations for the purpose of carrying out a program to compensate such lessors for a breach of a lease by members of the Armed Forces.

(2) The Secretary of each military department shall designate one military installation located in the United States for the program described in paragraph (1).

(3) Members of the Armed Forces who are required to live on post are not eligible to participate in the program established under this section.

(b) An agreement under subsection (a) shall—

(1) not be for a term in excess of one year;

(2) provide that in lieu of the lessor requiring the member to provide to the lessor a security deposit as a precondition to entering into a lease for a housing unit, the United States agrees to compensate the lessor for expenses resulting from damages caused to the housing unit by the member or for a breach of the lease by the member;

(3) provide that, notwithstanding any amount of damages claimed by the lessor, the liability of the United States is limited to an amount which is not greater than the amount of the security deposit required of individuals who are not members of the Armed Forces; and

(4) provide that the lessor must first exhaust such other remedies available to him to collect from the member any amounts which the lessor claims as a result of damage to the rental unit or a breach of the

lease before the lessor presents a claim to the United States for such amount.

(c)(1) A member shall be liable to the United States for an amount equal to the amount which the United States is required to pay to a lessor under an agreement entered into under this section if it is determined, under regulations prescribed by the Secretary concerned, that the damage to the housing unit, or breach of the lease, was caused by the member (or a dependent of the member).

(2) The Secretary of Defense may compromise or waive a claim of the United States under this subsection.

(3) The Secretary concerned may deduct from a member's pay the amount for which the member is liable under paragraph (1). Regulations implementing this section may also provide for the collection of amounts owed under this subsection by any other authorized means.

(4) The final determination of an amount to be deducted from the pay of an officer of an armed force in accordance with regulations prescribed under this subsection shall be deemed to be a special order authorizing such deduction for the purposes of section 1007 of title 37, United States Code.

(5) The Secretary of Defense shall prescribe regulations to carry out this subsection, including regulations providing for the compromise or waiver of claims, and the collection of amounts owed under this subsection.

(d) Not later than 18 months after the Secretaries of each department sign agreements under this section, the Secretary of Defense shall review such agreements and shall report his findings to the Congress, together with his recommendations concerning the feasibility of expanding the program throughout the Armed Forces.

(e) Authority of the Secretary of a military department to enter into a contract under this section shall be effective for any fiscal year only to such extent or in such amounts as are provided in Appropriations Act.

OFFICE OF MILITARY FAMILY SERVICES

SEC. 6. (a) There is established in the Department of Defense an office to be known as the Office of Military Family Services. The Office shall have a director appointed by the Secretary of Defense.

(b) The Director shall, subject to the availability of appropriations for such purpose, develop, implement, and oversee a program to provide, at each military installation, family services to members of the armed services. Services provided under this section to members and the families of members shall include—

(1) financial and family counseling;

(2) informing members and their families of resources and services available in the community and making referrals on behalf of such members and their families;

(3) employment assistance and referral services for dependents of members of the uniformed services;

(4) consumer protection services;

(5) family advocacy services; and

(6) an outreach program targeted at military families separated by overseas assignments.

(c) In carrying out the program provided for under this section, the Director may use private volunteer service organizations.

(d) The Director shall report to the Secretary of Defense, not later than the end of every 12-month period beginning on the effective date of this Act, concerning issues related to military families, together with his recommendations as to how the policies of the Department of Defense relating to military families may be improved in order to improve the quality of life of military families.

(e) For purposes of this section the term "armed services" means the Army, Navy, Air Force, and Marine Corps.

EFFECTIVE DATE

SEC. 7. Except as otherwise provided in this Act, this Act shall take effect on October 1, 1985.

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The CHAIRMAN. Thank you, Leon.

Are there any questions?

[No response]

The CHAIRMAN. How much of an overlap is there with what your bill has and Pat Schroeder's bill has?

Mr. PANETTA. I have to be honest, I haven't looked at Pat's bill. I think she introduced it within the last few weeks, so I haven't really had a chance to look at its particular elements. I think there is some overlap. But as I said, mine deals pretty specifically with active-duty personnel and incorporates some of the proposals that Senator John Warner had been working with last year.

The CHAIRMAN. Thank you.

Mr. MONTGOMERY. Mr. Chairman, I'd just like to welcome the gentleman and echo what you said. He does take the tough jobs in Congress, and we appreciate him being here this morning.

Mr. PANETTA. Thank you.

Mr. SISISKY. Mr. Chairman——

The CHAIRMAN. Yes.

Mr. SISISKY [continuing]. Explain to me, in Monterey, the 12 percent unreimbursed costs; you said they're trying to do that now?

Mr. PANETTA. No; they're—well, obviously, that's something that you would have to change, in terms of the variable housing allowance.

And I think there has been an effort to try to do that, and I guess it's run into the wall several times.

I can't—part of my bill is to try to legislatively change that.

What we're doing in the Monterey area is several things. We, first of all, obviously have to provide additional housing on post.

We had a situation where we had a training post initially. And when you have a training post, it doesn't require, obviously, the amount of housing that a permanent division does.

Then, we went to the 7th Division. And when we did that, there was a lack of housing in an area, incidentally, that has about a 1-percent vacancy rate right now, and the average cost of a home is somewhere around $100,000 to $130,000.

So, we move immediately to try to build housing on post. And we built, I think, over the period of the last few years since I've been in Congress, about 1,200 to 1,400 units.

We need about another 1,200 units, because we have about 2 to 3,000 families on a waiting list right now.

So, they have to go out into the community, rent housing in a community that has a lot of competition for housing to begin with.

We are asking for those additional units. And fortunately, the Pentagon has asked for that construction. But that's a long-term solution.

What I need in the interim is a way to try to provide some relief for those that are trying to seek housing in the community.

We're doing two things. We're going to establish some trailer units on post, because there is some land there. And we now have authorization to put some trailer units there, about 70 pads. And we hope to add to that in the future.

In addition to that, I'm working with the local landlords to try to reduce the security deposits, because those security deposits are murder when you get a first month and a last month plus a cleaning deposit. I mean, you're talking about already being $1,200 in the hole.

I mean, a home in my area costs, you know, to rent, almost $700 for a three-bedroom house. And if you have to put that kind of rent down as a deposit, it's murder.

So, what I'm trying to do is to say, to those landlords, "Don't worry about your security deposit," but the Command is going to come in and ensure, when that person signs out, that that last month's rent is going to be paid before that person is able to move his family to another post. That works pretty well generally with regard to other requirements, and we're hoping to do that at Fort Ord.

Mr. SISISKY. Thank you, Leon.

This is off the subject, but have you looked at the 801 and 802 programs?

Mr. PANETTA. Yes. Yes; we're looking at that, too, to see if we can explore that possibility.

Mr. SISISKY. Thank you.

Mr. PANETTA. Thank you, Mr. Chairman.

The CHAIRMAN. Thanks very much, very interesting ideas.

One more of our colleagues is here this morning. I'd like to welcome the ranking minority member of the Select Committee on Children, Youth, and Families, Representative Dan Coats.

Dan, go ahead.

STATEMENT OF HON. DAN COATS, A REPRESENTATIVE FROM INDIANA, RANKING MINORITY MEMBER, SELECT COMMITTEE ON CHILDREN, YOUTH, AND FAMILIES

Mr. COATS. Thank you, Mr. Chairman. I will also try to summarize my statement and would ask that it be submitted for the record.

I am very pleased to come before your committee. We certainly, on our Children, Youth, and Families Committee applaud your efforts, the efforts of Mrs. Schroeder, who is a member of that committee, and Mr. Panetta, who has spent a great deal of time on this subject.

We, in the Children, Youth, and Families Committee want to complement, not duplicate, your efforts here. And we think that we have outlined the strategy whereby we can do that.

We recognize that while it is important to provide the necessary structure and funds for tangibles, that the funds and money alone do not offer the whole answer. And we would hope that through our perspective in the Children, Youth, and Families Committee we could explore this issue in depth and look at attitudes and the role that they play, as well, and provide you with some information which will be helpful to you and the Appropriations Committee in translating these reports into reality.

All too often the organizational goals of the military are, I think, expected to supersede the members' commitment to their families. This attitude in the past has encouraged the military and the family to compete for the time and the energy of the military family member. That attitude that views the family in competition with the mission of the military we believe, and I think many members of this panel believe, should change, because we want to view families as an ally of the military and not a source of conflict.

Clearly, the effectiveness of the military is determined in part by the strength of its families. And that attitude is starting to change.

And I was just handed this morning a bumper sticker that is appearing at Fort George Meade as part of their community life program—and you see this on the bumpers of some military cars—"A Strong Family, A Stronger Military." We really believe that, with the emphasis toward career military people.

With the increased number of families that are present not only in the Army but all of our services, we think it's extremely important to stress that.

This need for a fundamental attitude change was reflected in the 1982 survey of 3,000 military wives, which is conducted by the National Military Families Association. It's interesting that among their 45 recommendations their very first recommendation dealt with the need not to provide more money, not to provide more structures, but to change the attitudes toward military spouses that make them feel like second-class citizens. Changes such as these can't be accomplished strictly through change in structure or change in adding new facilities.

Let me then, on the basis of this, outline what we see as, at least as I see it, our strategy and goals for our select committee in studying this problem as we attempt to uncover the attitudes, policies, and regulations that aggravate these problems and lead to some unintended consequences within the military.

First of all, we would like to establish a knowledge base about the status of military families. We have already received—our staff have already received briefings from all branches of the military service regarding present policies and programs. Our next step would then be to go into the field with research and survey and site visits to selected military bases to collect indepth information from military families themselves: How does this work? Does it work? What else do you need? What are these attitudes? What changes can we make?

Pulling that information together would then result in the third step, hearings hopefully in conjunction with your subcommittee, with all branches of the military, the Department of Defense, military family researchers, and military family members themselves testifying, finally leading to a compilation of all this information and the issuance of a comprehensive report, which I think then could be the basis for some long-term policy recommendations and changes for the Department of Defense and the service branches.

It's an ambitious undertaking, but one that we look forward to. We have received a great deal of cooperation from members of your committee. Mrs. Schroeder is chairperson of the Economic Security Task Force and has been enthusiastic in her support of this.

I want to also thank Congressman George Miller, who is chairman of our Children, Youth, and Families Committee, for his endorsement of this.

And we think that, together, we can move forward with a comprehensive overview of military family life today, looking at not only those structural areas but, more importantly, at those attitudinal areas. And hopefully all of this will result in a stronger military and a fulfillment of the words of the bumper sticker that say that strong families make for a stronger military.

I thank you for the opportunity to be with you this morning.

PREPARED STATEMENT OF HON. DAN COATS

Mr. Chairman, I am very pleased to come before this Subcommittee today to stress the vital connection between strong families and a ready defense. I applaud the interest of the members of this Subcommittee and acknowledge the long involvement of both Mrs. Schroeder and Mr. Panetta in military family issues. As you know, the Select Committee on Children, Youth, and Families, of which I am the Ranking Minority Member, has chosen to make military families a subject of extensive investigation. My purpose in testifying before this Subcommittee today is to outline the strategy of this investigation. We expect to issue a comprehensive report, based on field visits and several hearings, to be made available to all Members of this Committee. We look forward to work closely with this Subcommittee in the near future.

While I see the importance of providing money for needed programs, I am not convinced that the solution to the problems of military families lies solely in providing economic incentives.

In reviewing the research on stress in military families we learn that much of this stress comes from conflicts between work and family responsibilities. Excessive overtime, extended absences from home and forced relocation are all very much a part of the military family's experience. All of these create stress in the family. This stress translates to decreased readiness and lower rates of retention. The results of this stress may also be seen as giving rise to many of the programs under consideration today.

All too often the organizational goals of the military are expected to supercede the military members' commitment to their families. This attitude encourages the military and the family to compete for the time and energy of the military member. This attitude, that views the family in competition with the mission of the military, ought to change. Families are, in a very real sense, an ally of the military organization and not a source of conflict. Clearly, the effectiveness of the military is determined in part by the strength of its families. The number one reason for failing to re-enlist is family dissatisfaction. When military members are worried about their families, they simply are incapable of working at peak efficiency.

The need for a fundamental attitude change that would view families as deserving of both time and energy as well as psychological commitment was clearly stated in the 1982 survey of 3,000 military wives conducted by the National Military Families Association. The Association made 45 recommendations, many of which will be discussed today. The very first recommendation dealt with the need to change the attitudes toward military spouses that make them feel like second class citizens. I believe that changes such as these can not be accomplished by increased money or programs alone. But without these changes, very little else can really be accomplished.

Let me now quickly sketch out the strategy, as I see it, of the Select Committee. The goal of our investigation is to identify the underlying causes of military family problems as well as to document the problem in several specific areas. These areas include relocation, child care, spouse employment, housing, education, and youth activities, to name just a few. What we want to uncover are the attitudes, policies or regulations that aggravate these problems. We also want to examine the unintended, as well as the intended, consequences of program decisions made by the military that affect family life.

To fulfill our mission as a Select Committee, we feel that it is critical to establish a knowledge base about the status of military families. To do this we intend to collect as much information from as many sources as possible. The staff has received briefings from all branches of the Armed Services regarding the policies and programs already in place designed to improve the quality of family life. However, we feel that to limit our investigation to the availability of programs or the number of families in need of services is to fall short of our goal.

The next step in our strategy then involves field research. This will include site visits to selected military bases both here and abroad. The purpose is to collect in-depth information first hand from military families themselves. We want to take input from enlisted soldiers, non-commissioned officers, and officers as well as from their spouses and, where possible, their children. A detailed analysis of their own portraits of military life will add greatly to our knowledge and understanding of what these families really need. We will collect this information in a systematic fashion that closely approximate a representative sampling of the views of military families. This information should yield an accurate picture of the status of these families.

The third step involves several hearings. These hearings could be heid jointly with this Subcommittee, to take testimony from all branches of the military, as well as the Department of Defense leaders in charge of family issues. We also need to hear from military family researchers who have identified the stress factors unique to military families that particularly relate to military readiness and retention. We would, of course, want to hear from military family members themselves to give the Committee Members an opportunity to hear their experiences and to ask questions.

The final phase of our investigation would be the compilation of all the information gathered from the different sources into a comprehensive report. I envision this report as a state-of-the-art document on the current status of military families. This document should be useful as a knowledge base that would yield policy relevant information, heplful not only to the Members of Congress, but to the Department of Defense and the Service branches as well.

This is an ambitious undertaking, but one that is vitally needed if we are to continue to appropriate resources and establish programs designed to improve the quality of life of military families.

I want to thank Congressman George Miller, the Chairman of the Select Committee on Children, Youth, and Families, and Congresswoman Pat Schroeder, the Economic Security Task Force Chair, for making military families a priority.

I believe that the Select Committee on Children, Youth, and Families can provide the Armed Services Committee, as well as the Appropriations Committee, with much needed information about the current status of military families both at home and abroad. Working together, but taking different approaches, can only lead to a better understanding of these issues to the benefit of our military families.

The CHAIRMAN. Thank you very much.

Are there any questions?

Mr. Montgomery.

Mr. MONTGOMERY. I'd just like to welcome my colleague here and say that we'll take a look at what he's told us here today.

Thank you, sir.

The CHAIRMAN. Other questions?

[No response.]

The CHAIRMAN. Well, all right.

Thank you very much, Dan.

Mr. COATS. Thank you.

The CHAIRMAN. Thanks for coming over.

Why don't we ask all of the service representatives to come join the table now.

I'd like to welcome now some of our old friends, people who we've heard testify before and welcome back for testimony about the 1986 budget.

We have General Elton from the Department of the Army. We have Admiral Lawrence from the Department of the Navy, General Maloney from the Marine Corps, and General Cassidy from the Air Force.

Welcome, gentlemen.

Why don't you submit your statements for the record. However, we'd like to hear opening statements from you and have a chance to ask some questions.

STATEMENT OF LT. GEN. ROBERT M. ELTON, DEPUTY CHIEF OF STAFF FOR PERSONNEL, DEPARTMENT OF THE ARMY

General ELTON. Thank you very much, Mr. Chairman.

It's a privilege for me to be here to appear before you all today.

And if I may, I would like to briefly summarize my statement and ask that the formal one be placed in the record, along with some key supporting charts, which you all have in front of you there.

READINESS

Unquestionably, the readiness of the total Army is our most important challenge. The readiness of our personnel and viability of our manpower programs are major contributors to total readiness.

Our personnel readiness is built on the bedrock of quality soldiers.

We consider that our quality requirements are a reasoned approach to optimizing the maximum combat capability from our new modern equipment.

The accelerated tempo and increased lethality of future battle will place greater physical and mental demands on our soldiers than at any time in history. To meet this violence successfully, our leaders and soldiers must be capable of exercising immediate initiative and flexibility. We must have a reasonable share of quality American youth.

While the active component end strength will remain constant at 780,800, the force structure within the Army of excellence is being modified by adding two new divisions plus additional special operational forces, improving our light forces, streamlining the heavy divisions, and augmenting our corps war-fighting capability.

These changes are achievable as a result of organizational modernization, greater reliance on our Reserve and civilian components, as well as other economies and efficiencies.

In this regard, our Reserve components' end strength is projected to increase from 724,000 to 751,000 by fiscal 1986. By 1988, the combined strength for the Reserve components will be greater than the Active component.

This positive growth trend increases the demands on our citizen soldiers, their families, and their employers.

Though our civilian component is projected to increase by approximately 4,700 employees in fiscal 1986, our real growth in budget workyears remains constant. This small increase will help support our forced modernization changes for the Army of excellence, directly support medical quality assurance programs, European ammunition management, and training initiatives.

RECRUITING

With support from the Congress for our recruiting program, 1984 was a banner accession year. Over 90 percent of our accessions were high school diploma graduates, and over 63 percent scored in the upper test score category on the Armed Forces Qualification Test.

Regardless of our accession success, we did not enjoy the same success in writing contracts. We attribute this to an improved economy and greater employment opportunities, hence greater competition.

The bottom line is that we ended 1984 with approximately 10,000 less in aggregate and 9,000 fewer in the top three mental categories in our delayed-entry program than when we entered.

This trend is continuing in 1985, and forces in the marketplace projected for 1986 will make recruiting even more difficult.

We have changed our approach based on the improving economy and shrinking youth population. And we are now targeting specific age markets to reverse this decline in contracts for both aggregate accessions and quality content.

I have shown you a number of charts there. And I would call your attention to chart No. 1[1] which reflects the marketplace trends and shows clearly, on the left-hand scale, that contracts—we list contracts either above or below the mission—on the right-hand side we have percent of unemployment. And we can see that as the unemployment percentage has dropped so has our fulfillment of contracts for those bars below the line, indicating high school graduates, and those bars above the line, indicating high school seniors.

And you can see clearly that from October 1983 until after the first of this year we have been unsuccessful in achieving parity with high school graduates.

We have recently completed a thorough study of the costs and benefits associated with a high-quality Army, our attempt to answer the question of how much is enough for every skill.

Two fundamental findings have emerged:

First, the Army's quality measures, educational achievement and Armed Forces qualification test scores, are valid predictors of soldier performance.

And second, overall personnel costs are relatively constant, regardless of soldier quality.

Our conclusion is that we consider that our current quality objectives are reasonable and attainable.

The Secretary of the Army recently said that the retention of quality enlisted leaders will be one of our major challenges throughout the remainder of the 1980's.

Although we slightly exceeded our first-term reenlistment objectives for 1984, we fell short in the mid-term and careers categories in selected combat arms, intelligence, and maintenance skills.

To both sustain our current enlisted career force and improve its force alignment, we have requested an increase in bonus programs for 1986.

We consider the Selective Reenlistment Bonus Program essential to meet our retention and force alignment goals. This program is more important now than at any time in our recent past, based on the improving economy and higher quality of reenlistment eligible soldiers, many of whom have civilian marketable skills.

Again, if you would turn to chart No. 3, you can see that we have a chart that depicts combat arms, initial term migration over the years, from 1981 through the end of last year; and that each time we have taken the bonus off, we have seen the percentage leaving the combat arms increase two to three times. As to when the bonus is restored, that percentage has, indeed, come back into a reasonable attrition.

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[1] Charts appear in prepared statement.

While total reenlistment goals are expected to be met, we remain concerned that quality soldiers may leave the Army.

We strongly advocate that a fair and competitive level of compensation is required to maintain a quality Army.

Congressional support of fiscal 1986 Special Incentive Compensation Programs is essential in light of the increasing loss of pay comparability. The success of these vital programs in the past was made possible through your support.

QUALITY OF LIFE

Finally, we remain committed to improve quality of life for our soldiers and their family members. Our central theme in the development of our Quality-of-Life Program has been the total Army. Our efforts have focused on the unique and diverse pressures that military families experience during relocation, extended absences for field duty, training exercises, deployments and assignments to short-tour areas without family members.

Our new approach incorporates the wellness attributes from successful military families.

For example, our Child Care Program emphasizes development, versus the post-nursery concept in the past.

Although we have made a strong beginning in building the Army's partnership with its families, more remains to be accomplished.

Congressional support for our programs will send a much-needed positive signal to our soldiers and families about the value that is placed on their contribution to our national security.

In order to institutionalize this process, we have recently organized a new field operating activity, titled "The Community and Family Support Center," which dramatically increases the Army's commitment to quality of life.

This new center will plan, develop, and operate systems and programs to meet the changing needs of Army families and communities.

I have provided each of you with a copy of the 1985 edition of "The Army Family Action Plan." This is the second edition. It has been taken from input from all of the major commands and will guide their efforts in the future.

In closing, I would pledge that the Army will work both harder and smarter, leaving no stone unturned to maintain the positive glide back on quality personnel in the Army of excellence.

Our goal is to foster the highest level of ethics, military exellence and personal conduct. Through quality personnel committed to standards of excellence, our Army stands ready today, preparing for tomorrow.

Thank you.

PREPARED STATEMENT OF LT. GEN. ROBERT M. ELTON

INTRODUCTION

People are the Army. During 1984, the Army's "Year of the Family," we focused on three parts of our family--people (soldiers, family members and retirees), units and components (Active, Army Reserve, National Guard and Army civilians). In all three, our personnel readiness is greater than at any time in recent history.

In 1984 the Army, with congressional support, established a beginning in the quality of life improvements for soldiers and family members. Our quality of life and family programs strengthen the bond of partnership between the Army and its members. The Army remains committed to assuring adequate support to families to promote wellness and develop a sense of community. I am confident that with your support we can provide our soldiers and their families a way of life representative of that in America and its inherent freedom they so proudly defend.

The quality of our new young soldiers is at the highest level, since the end of the draft era. These quality, fired-up youngsters learn faster, perform better, are less prone to indiscipline, and are more likely to complete their initial enlistment than their predecessors.

Retention, however, requires intensive management and marketing in a highly competitive marketplace. Adequate recruiting resources and recruiting and retention bonuses are essential, now more than ever, as the national economy sustains improvement and more jobs are available from industry and the service sector. If the Army is to continue recruiting quality soldiers and retaining quality leaders, military compensation must remain comparable with the civilian sector. Any change to compensation must examine the total compensation package, together with an accurate analysis of its impact on the retention of a quality career force.

The stewardship of the Army is linked to the Army's theme for 1985--"leadership." Our vision is to develop the full potential of leadership at all levels through new leader development programs and opportunity for assessment of individual competence. Concomitantly, leadership provides an opportunity to revitalize the program of the previous themes--"The Spirit of Yorktown--The Spirit of Victory (1981); "Physical Fitness" (1982); "Army of Excellence" (1983); and "Army Family" (1984). This theme requires minimal resources, with a pay-off of unlimited potential. The quality of leadership will make the difference between a good Army and a great Army.

Leadership depends on simple human qualities. Above all, a leader requires the soldiers' confidence. This is gained only through the soldiers' respect for their leaders' personal character and professional knowledge, the leaders' sense of justice, courage and common sense.

Quality Soldiers

The Army believes with absolute conviction that quality soldiers are the bedrock of a powerful Army--one which is effective both in combat capability and cost. We equate quality recruits to mentally, medically, physically, and morally competent young men and women who are capable, with training, of executing our tactics and doctrine with modern equipment against the continuum of threats; from a low intensity, but deadly terrorist environment through the lethality of a highly sophisticated AirLand battlefield. We use two key measures of quality: high school diploma graduates (HSDG) and achievement on the Armed Forces Qualification Test (AFQT); day after day these candidates are molded into outstanding soldiers.

Our recruiting approach is based on a philosophy that weighs the full spectrum of a volunteer's capabilities, to include the prospective recruit's moral background, medical status, physical capability and mental aptitude for service. It is no longer enough to recruit simply the appropriate numbers of young men and women without regard to their personal attributes, we must fill the military occupational specialties (MOS) with the appropriate quality level that the equipment and tactical doctrine demand.

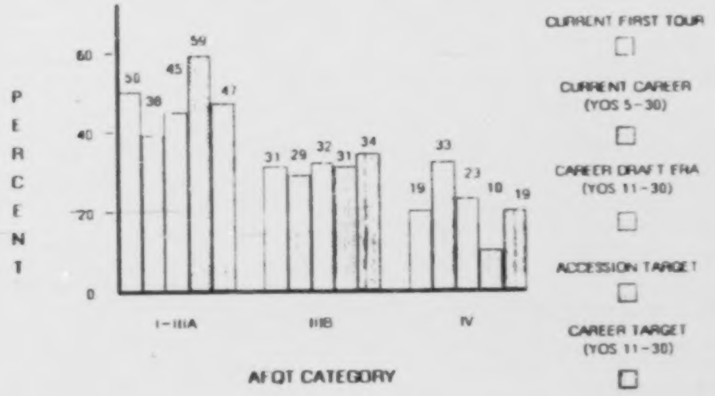
The Army recently completed a thorough study of the cost and benefits associated with a higher quality Army. Two fundamental findings emerged from this study: (1) The Army's quality measures (educational achievement and AFQT scores) are valid predictors of soldier performance; (2) overall personnel costs are relatively constant regardless of soldier quality. Accordingly, the Army established two accession goals: a minimum 90% of its recruits be high school diploma graduates and that they would represent the following mix of AFQT scores:

AFQT Category	Percent
I-IIIA	59-63
IIIB	31-27
IV	10

It is appropriate to place the Army's current goals in perspective. The current career force with more than eleven years of service (i.e., the portion of the current force accessed during the draft era) consists of 44.8% AFQT I-IIIA soldiers. The Army's current accession goals (59% I-IIIA) will result in an enlisted force in which 47% of its members with more than eleven years of service would be in AFQT I-IIIA. Thus, the Army's current quality objectives will replicate its draft era composition. (Chart 1)

CHART 1

QUALITY OF THE FORCE



The Army's quality goals are based upon an assessment by each of its 15 branches (e.g., Infantry, Artillery, Ordnance) of their force quality requirements. Each branch considered trainability, job performance, future structure, and system changes. In defining their accession goals, the branches focused on the quality requirements for its non-commissioned officers, since the Army grows its NCOs from its accessions.

Higher AFQT test category young men and women become more effective soldiers and NCOs. Research data that supports this phenomenon is the results of tank qualification firings in Europe in which approximately 1100 tank crews participated (Chart 2). Crews composed of higher test category soldiers performed significantly better. In terms of tank company equivalents, a company with 14 Category I, M60 tank crews will average 143 kills during qualification. In order to equal their performance, we would require 15 tanks with Category II crews, 17 tanks with IIIA crews, 19 tanks with IIIB crews, and 25 tanks with IV crews. The effects of quality are likely to be even greater under the stress of combat, when the requirement for leadership and initiative by the individual soldier and tank crew exist on the battlefield.

CHART 2

TANK CREW PERFORMANCE

	M60		M1	
CREW AFQT	KILLS	%INCR RELATIVE CAT IV	KILLS	%INCR RELATIVE CAT IV
I	10.23	75.2	12.75	18.9
II	9.51	62.8	12.47	16.3
IIIA	8.52	45.9	12.05	12.4
IIIB	7.47	27.9	11.57	7.9
IV	5.84	–	10.72	–

Source: 7th Army Tank Crew Qualification, Grafenwohr Training Area, FRG (1984)

In terms of educational achievement goals, a high school diploma is an accurate predictor of the recruit's adaptability and perseverance. As shown below, nearly three out of four male high school graduates stay to the end of their enlistments, while only about one in two non-graduates succeed in completing their term of enlistment. These differences in attrition indicate that it is more costly to teach the required number of trained soldiers if they are non-graduates.

3-Year First Term Attrition Rates [1/]

(As percent of Accession Cohort)

	2/	2/	2/	2/	2/	3/	3/	3/	3/
	FY77	FY78	FY79	FY80	FY81	FY82	FY83	FY84	FY85
MALE									
HSDG	27.8	25.8	25.7	27.2	28.2	29.2	27.8	27.8	27.6
NHSDG	49.0	45.6	46.8	51.4	52.3	52.9	49.3	48.6	48.6
FEMALE									
HSDG	43.0	44.6	44.6	46.6	46.0	44.1	43.7	43.8	43.9
NHSDG	56.1	55.2	4/	66.4	66.2	NA	NA	NA	NA
TOTAL	38.2	33.8	35.9	41.3	36.0	34.8	32.7	32.2	31.5

[1/] Term 3 and 4 accessions only.

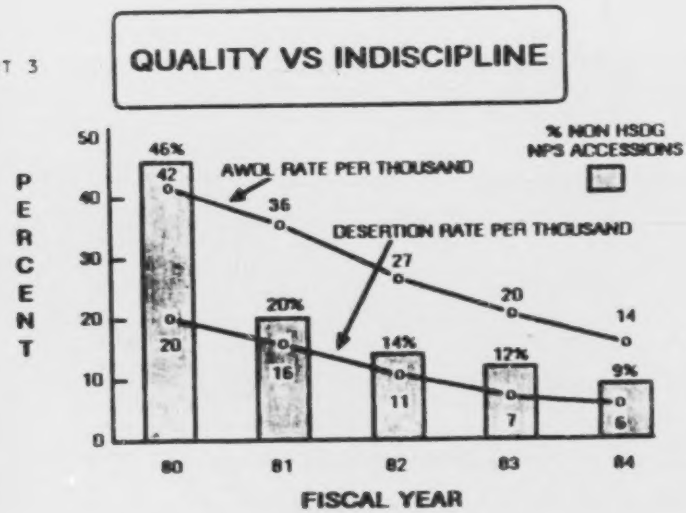
[2/] Historical source: ELIM-COMPLIP as of ME Oct 84.

[3/] Forecast source: ELIM-COMPLIP as of ME Oct 84.

[4/] Represents an insignificant percentage of the accession cohort population.

Secondly, with regard to indiscipline, the Army has experienced a significant reduction (Chart 3) in AWOL and desertion rates as the non-high school graduate content has decreased.

CHART 3



Promotions are keyed to on the job performance evaluations. Nothing in the promotion system rewards an individual for a high AFQT score. Yet, an analysis of promotion rates from Specialist (E4) to Sergeant (E5) establishes that AFQT is a predictor of promotion rate. As shown in Chart 4, higher mental category soldiers tend to be promoted at faster rates than lower mental category soldiers.

E4 TO E5 PROMOTION RESULTS

TIME IN GRADE (MONTHS)

	HIGH SCHOOL			NON-HIGH SCHOOL		
MOS	**I-IIIA**	**IIIB**	**IV**	**I-IIIA**	**IIIB**	**IV**
11B INFANTRYMAN	22.0	23.9	25.4	22.6	24.5	26.1
63B MECHANIC	39.3	45.1	50.4	44.7	51.4	57.4
51B CARPENTER	32.2	37.8	43.0	36.7	43.1	49.0
76Y UNIT SUPPLY	31.5	33.8	35.9	34.8	37.4	39.6

SOURCE: DATA EXTRACTED FROM THE FY 79-83 EMF'S.

Overall, considering performance tests and promotion rates, AFQT IIIA soldiers performed on the average about 10 percent better than AFQT IIIB soldiers.

While the Army's quality objectives are not based solely on economic considerations, a cost benefit analysis shows that quality soldiers are cost effective. Considering the cost of accessing, training, maintaining and retiring the resulting force, only $50 million would be saved by moving from a force with 90% HSDG to one with 65% HSDG. Furthermore, for this cost ($50 million) a 90% HSDG force results in 6,000 more soldiers in units (based on lower attrition rates) and 24,000 more non-commissioned officers.

On the other hand, a 4% increase (e.g., from 59% to 63%) in the proportion of the enlisted force who are in AFQT I-IIIA (about 27,000 additional AFQT I-IIIA soldiers) costs about $108 million. One hundred and eight million dollars amounts to approximately three tenths of one percent of the Army budget allocated to maintaining the enlisted force. Thus, total costs do not reflect large variations in the number of upper mental category soldiers.

There are two reasons for this insensitivity. First, while AFQT I-IIIA soldiers are more costly to recruit, recruiting costs are a relatively small portion of the total manpower budget. Second, these recruiting costs are partially offset by the reduced pay and retirement costs due to normal end of tour losses (a 52% AFQT I-IIIA population has a career force of 322,000 while a 56% AFQT I-IIIA population has 320,000 career soldiers.)

Comparing this cost data with the preceding information on performance shows that obtaining a 0.4% increase in performance (10% performance increase IIIAs versus IIIB multiplied times 4% increase in the number of IIIA) would increase enlisted force costs by approximately 0.3%. Since the cost increase is less than the performance increase, the Army's current quality goals are indeed cost effective.

The Army's interest in upgrading the quality of its enlisted force is not a new development; it is merely a continuation of past Army efforts. Recognition of the importance of the quality of our NCOs on the battlefield has been a consistent theme of the Army since World War II. The proliferation of new, more complex, more powerful equipment in recent years and the adoption of a doctrine of warfare that emphasizes flexibility and initiative in major battles and small independent unit actions in low intensity conflicts reinforce the importance of soldiers who are tough, trained and talented. The Army fields systems of personnel and equipment in unit packages and develops doctrine to maximize the lethality of these systems. For the product to be effective, these components (i.e.. personnel, equipment and doctrine) must be compatible. It is not possible to diminish the quality of the personnel component without affecting the performance of the weapons systems or the ability of units to perform the Army's increasingly complex mission.

Accessions

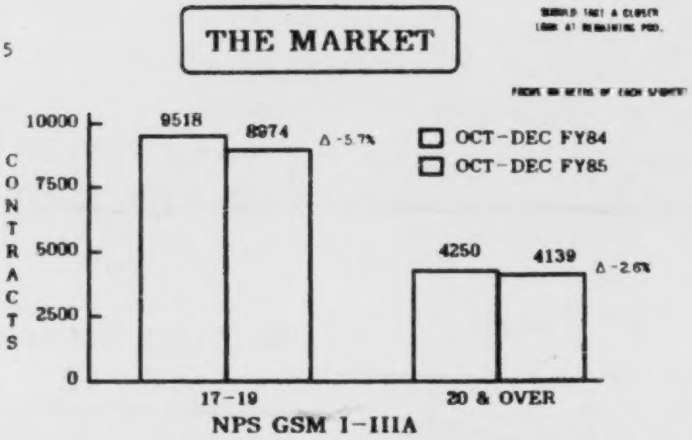
Fiscal year 84 was the Army's best accession year since the draft ended. Over 90 percent of the non-prior service people brought on active duty had high school diplomas, and over 63 percent were in the upper test score categories. This success has been a direct result of the Army's efforts to better understand and penetrate the recruiting market. This understanding allowed the Army to better articulate its resource requirements. Substantial improvements in quantity and application of these resources led to the past year's success.

Although 1984 was a banner year for accessions, the Army did not have the same success in writing contracts for Army service. The delayed entry program (DEP) began 1984 with a strength in excess of 49,565; 33,396 scored in categories I-IIIA. At the end of 1984 the DEP strength was 39,348; 24,836 scored I-IIIA. The FY86 recruiting budget includes resources targeted specifically toward reversing this decline.

Forces in the market place make sustaining FY84's success more difficult. We have changed the way we approach recruiting based on an improving economy and shrinking youth population. Efforts are already underway to find the best way to expand the market. Resources programed for FY86 will exploit these efforts and continue to ensure that the Army enlists high quality men and women.

Specifically, the FY86 budget includes resources to better penetrate the 17-19 year old market and expand into the 20 and older market. As Chart 5 shows, about 30 percent of all quality non-prior service accessions are ages 20 and older. Prior to FY85 the 20 and older market was not specifically targeted, even though it produced significant numbers of quality recruits. Pilot FY85 programs are underway to determine the best method of targeting the over 20 market. The effort is already paying off. Chart 5 shows the drop in over 20 contracts between FY84 and 85 is less than half that of the 17-19 contracts. This market is expected to produce 1,200 additional high quality recruits in FY86.

CHART 5



ABOUT 30% OF QUALITY ACCESSIONS ARE 20 AND OLDER

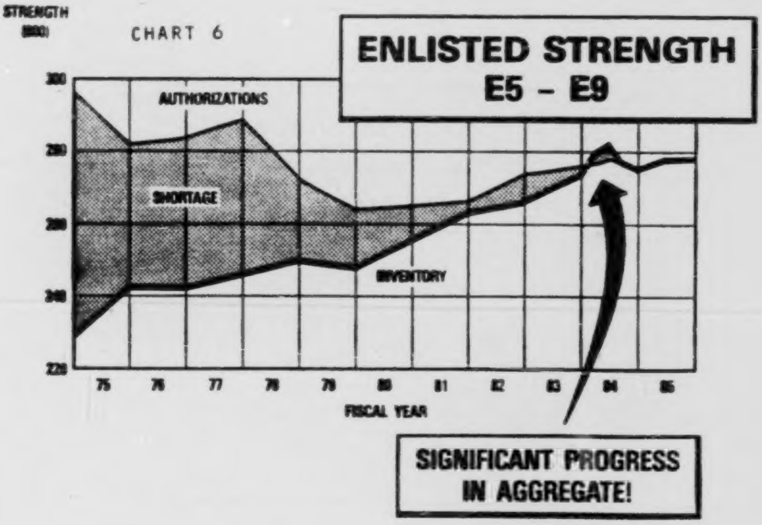
Important considerations in reversing the decline in contracts are: (1) improving the propensity of a young person to consider service in the Army; (2) increasing the support provided to recruiters; and (3) making more attractive offers to the market. FY86 advertising, recruiter support programs (such as the Hometown Recruiter Aide Program) and educational incentives are directed at solving this decline. The Hometown Recruiter Aide Program returns selected young outstanding soldiers to their hometown for a 45 day period to assist the local recruiters.

These program increases represent a reasoned application of resources which will allow the Army to continue to recruit and access high quality young men and women.

Retention

During FY84, after a sustained effort to reduce a long standing deficit, the Army achieved its aggregate NCO and Combat Arms NCO requirements (Chart 6). This success was achieved through the use of promotion and reenlistment programs, and the Force Alignment Plan. This Force Alignment Plan allows NCOs to move into shortage specialties, thus balancing the skill they are leaving and their new specialty. As a result of these initiatives, the critically imbalanced (greater than 120% or less than 80% of authorization) NCO grade and Military Occupational Specialty (MOS) posture, dropped 20% from 28,900 at the end of FY83 to 23,000 at the end of first quarter FY85. This progress is especially significant as the Army force structure changed considerably during this same period due to development of the Army of Excellence (AOE) structure.

CHART 6



The Selective Reenlistment Bonus is key to maintaining balance. Even though significant progress in force alignment has been achieved, the process is not complete. Shortages still exist at the MOS level in selected combat arms, intelligence, chemical, and maintenance skills. An increased bonus program in FY86 will be required to sustain and improve force alignment within the confines of an improving economy and a higher quality population of reenlistment eligible soldiers.

REENLISTMENT OBJECTIVES FOR THE ACTIVE FORCE ARE AS FOLLOWS:

	FY85	FY86
First Term	27,800	30,400
Mid Term and Career	45,100	43,400
Total	72,900	73,800

Significant challenges remain in the retention of first term soldiers. Approximately 54% of first term soldiers are eligible for reenlistment. About half of these continue their military careers. Due to the tremendous improvement over the last four years in the quality of Army accessions, the quality of the initial term reenlistment population is changing. The challenge for FY85 and beyond is to ensure that a sufficient number of these high quality soldiers are retained to meet career force requirements. While total reenlistment goals are expected to be met, we remain concerned that continued improvement of the economy may induce highly qualified soldiers, especially those with civilian marketable skills, to leave the service. A fair and competitive level of compensation is necessary to maintain a quality Army. Congressional support of FY86 special and incentive compensation programs is essential now in light of the increasing loss of pay comparability. A 9.6% increase in pay will be required to achieve comparability at the beginning of FY86, if we receive a 3% raise on 1 July 1985.

Active Army female strength is currently at 10,200 officers and 66,700 enlisted. Total active female end strength is projected to reach 79,700 by FY86. When this occurs, women, for the first time, will make up over 10% of the Active Force. Women soldiers can enter 86% of enlisted Military Occupational Specialties and can be assigned to all branches with the exception of Infantry, Armor and the Special Operations Forces Career Management Field. However, some positions and units are also closed under the Direct Combat Probability Code System (DCPC). The purpose of the DCPC system is to identify those positions and units that would routinely engage in direct combat. Both units and positions that are closed are reviewed regularly to assure sensitivity to the changing missions, individual duties, and doctrine.

Officer Programs

Total Active Component officer end strength will increase 1.1% from FY85 to FY86 and will make up 14.8% of the Active Component. Active Component officer end strength increases are a result of the organization of the 6th and 10th Light Infantry Divisions and the completion of the Force Modernization Plan.

Commissioned officer end strength will peak in FY86 at 99,400 and will decline thereafter.

The Reserve Component commissioned officer end strength will also increase from end of FY85 to end of FY86. The Army Reserve will grow 5.7%, from a budgeted officer end strength of 41,684 to 44,045. The Army National Guard will grow 4.1% from 34,486 to 35,907. This growth parallels the growth in the Reserve Components mission and force structure.

The Army recently finished two major studies of officer management and development and is currently studying its Reserve Officer Training Corps (ROTC) and Warrant Officer Programs. The results of extensive surveys, interviews, meetings, and seminars have been positive and enlightening. We have confidence that our officer corps consists of the best Army leaders at any time in recent history. Our officers sense the importance of their role and have a high level of satisfaction in the job they are doing in the Army of Excellence. They feel a strong sense of national support and recognition.

The Army ROTC scholarship program is being used effectively to increase the number of highly qualified young men and women earning commissions. It has been targeted toward students in technical and scientific disciplines and has proven successful. Scholarships are also targeted for students attending historically black colleges through the Quality Enrichment Program, as well as through 120 scholarships awarded to those schools showing the largest numerical increase in Advanced Military Science enrollment. Scholarships are also available to enlisted soldiers in the Active and Reserve Components. Chart 7 provides the Army's discipline mix by goal and fiscal year (84-86).

CHART 7

		FY84	FY85	FY86
ROTC SCHOLARSHIP NUMBER		11,704	12,000	12,000
DISCIPLINE MIX	(GOAL)	(ACTUAL)	(ACTUAL)	(PROJECTION)
BUSINESS	20%	21%	23%	20%
ENGINEER	30%	21%	21%	25%
SCIENCE	25%	19%	20%	21%
SOC SCIENCE	10%	25%	22%	19%
NURSE	7%	5%	6%	5%
OTHER	8%	9%	8%	10%

High school and college students who apply for four, three and two year scholarships are evaluated on a whole person perspective; college board scores, class rank, athletic and extracurricular achievement, and leadership potential. Finalists are also given a Physical Aptitude Examination and a personal interview. Army ROTC Scholarships pay for tuition and fees, as well as books and supplies, in addition to a subsistence allowance of $100 monthly during the academic year.

Reserve Component Program

We recognize the increasing responsibilities and missions which the Reserve Component of the total Army will be assuming in our national defense. We are dedicated to ensuring that the Reserve Component is manned to accomplish its mission.

We have applied resources to the effort of attracting and retaining quality young men and women into the Reserve Component and will continue to target the Army Reserves (Chart 8) and Army National Guard (Chart 9) for recruiting and retention initiatives to enable them to meet their increasing strength goals.

CHART 8

USAR SELECTED RESERVE END STRENGTH

IMPROVE READINESS THRU INCREASED MANNING LEVELS

- INCREASE CS AND CSS FORCE STRUCTURE
- CONTINUE TRANSFER AC MISSIONS TO RC (INCREASE FULL TIME MANNING)
- EXPAND CAPSTONE PROGRAM
- CONTINUE MODERNIZATION OF USAR

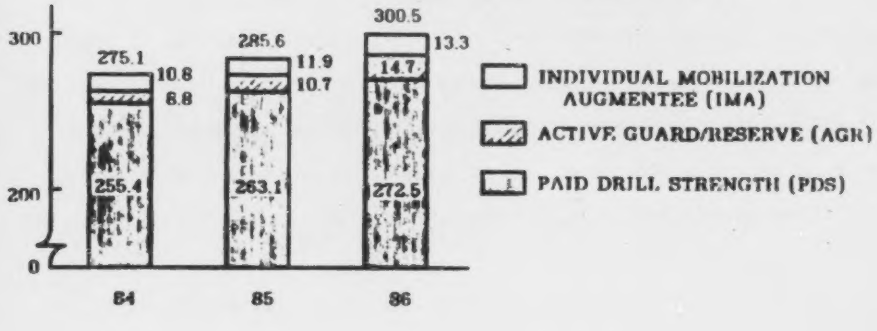
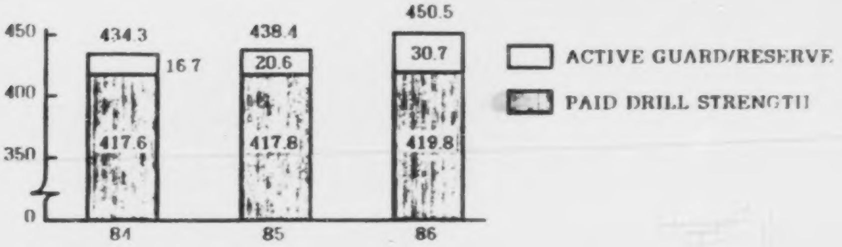


CHART 9

ARNG SELECTED RESERVE END STRENGTH

IMPROVE READINESS THRU INCREASED MANNING LEVELS

- ACTIVATE A TENTH ARNG DIVISION
- CONTINUE TRANSFER AC MISSIONS TO RC (INCREASE FULL TIME MANNING)
- EXPAND CAPSTONE PROGRAM
- CONTINUE MODERNIZATION OF ARNG



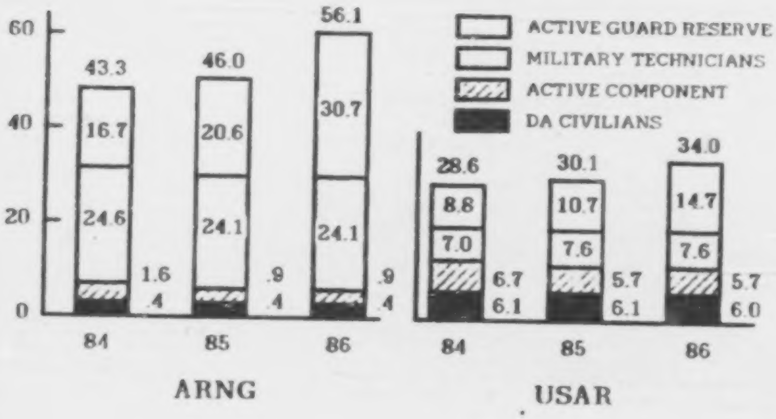
The Army Reserve exceeded its accessions mission in FY84 as it recruited 69,500 versus the 69,100 required. Of particular note was the high quality of the Army Reserve enlistments. The percentage of high school diploma graduates reached an all-time high 82 percent (of non-prior service accessions), a sizeable contract to the 45 percent experienced at the start of the decade. In terms of test categories, a record 50.4 percent of non-prior service accessions were in the highest test score categories (I-IIIA), and only 11.8 percent were in the lowest test score category (category IV).

The major strength problem for the Army Reserve continued to be enlisted attrition. FY84 enlisted losses were 64,200 (7,400 more than programed.) It amounted to 30.6 percent of the starting enlisted strength in FY84, a slight improvement over the 31.6 percent rate of FY83 but far above the FY81 and FY82 rates, 27.8 and 27.3 percent respectively. Initiatives to reduce enlisted attrition have been undertaken, and enlisted attrition is down to 29 percent in FY85 and is expected to be at 28 percent in FY86.

The quality Army National Guard (ARNG) enlisted force has steadily improved. In the last eight years, we have increased the number and percentage of high school diploma graduates (HSDG), while reducing the number and percentage of AFQT IV accessions. By FY84, 68.8% of non-prior service accessions were HSDG and only 6.9% were in AFQT IV. The ARNG personnel quality objective for FY85 and outyears is to improve accessions by establishing standards that will continue to increase the quality of the Reserve Components. To achieve this, an additional 601 authorizations have been added to the recruiting force and an additional 65 Active Guard/Reserve personnel will be added to help meet the retention goals.

As the Reserve Component continues to modernize and assume additional force structure, full-time support becomes critical to sustaining their readiness. Active Guard and Reserve (AGR) soldiers and military technicians are working in a full time capacity to accomplish the administration, training, maintenance, and planning necessary to improve the readiness of the Reserve Component. (Chart 10)

CHART 10 FULL TIME SUPPORT (000s)



A study group, organized by the Army Staff to consider the career management requirements of AGR personnel, made over 50 recommendations that are now being implemented. Regulations and policies covering selection, utilization, development, retention, and separation of AGR are being prepared in both Active and Reserve Components.

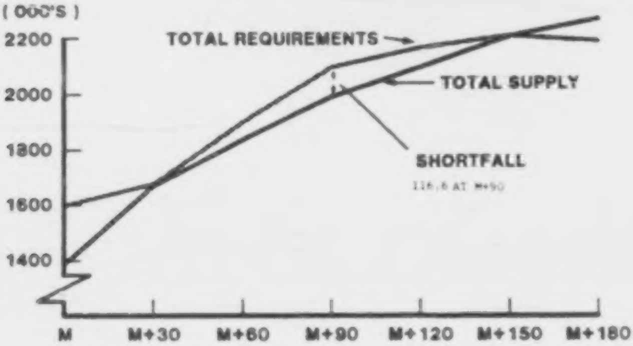
Military Manpower Mobilization

The trained military manpower shortfall during full mobilization is determined by comparing the time-phased supply and demand for the first 180 days of global conventional war. Demand is determined by structural requirements, soldiers in transit, holdees, student officers, and casualty replacement requirements. Supply is determined by Active Component trained strength, Reserve Component unit and IMA strength (assuming a 95% show rate), pretrained individual manpower strength, IRR, Standby Reserve, preassigned retirees, transients, holdees, students and trainee output.

Maximum shortfall occurs at M+90 (Chart 11), before post-mobilization trainees reach the field. Overcoming the shortfall by M+150 assumes a decrease in the tempo of the conflict after M+90 and that there is no expansion over the currently programed force. Should either of these prove inaccurate, requirements would not be met before M+180. The aggregate shortfall of 116,600 at M+90 masks an enlisted shortfall of 121,700. There are serious shortfalls in the combat arms and medical skills and surpluses in the logistics, services and supply, and "other" categories.

CHART 11

TRAINED MANPOWER REQUIREMENTS VERSUS SUPPLY
(END FY 86)



Pretrained Individual Manpower (PIM)

In order to meet the military manpower requirement generated by a mobilization, the Army maintains pretrained manpower pools.

The Individual Ready Reserve (IRR) is the largest of these pools. The FY84 strength of 276,700 is predicted to increase to 295,400 by FY86. Members of the IRR normally have served on active duty or in Selected Reserve units before transferring to the IRR. During peacetime, these personnel are assigned to Army Reserve Personnel Center. While available for mobilization, the IRR cannot be used for the pre-mobilization Presidential 100,000 callup. The Army is developing IRR unique training material to ensure that these soldiers will receive sufficient refresher training to maintain their military skills.

The Individual Mobilization Augmentation (IMA) program assigns individual members of the Selected Reserve to positions in Active Component units and agencies. These positions are required in mobilization, but not authorized to be filled today. IMA also serve outside of Army structure in DoD, OJCS and FEMA. The IMA program has 10,900 personnel assigned at the end of FY84 and is programed to reach 27,300 by end FY91. IMA perform their annual training in the positions where they would mobilize. This provides the members a sense of unit identity and provides a well-trained soldier who is familiar with unit procedures and missions. IMA, as members of the Selected Reserve, are available for call to active duty during both the pre-mobilization Presidential 100,000 callup and mobilization.

The Army's Retiree Recall Program was developed to reduce the shortfall of pretrained individual manpower that would occur upon mobilization. Program goals are: to provide mobilization manpower; release active component individuals for reassignment or deployment as select retirees become job proficient; and Continental United States (CONUS) base sustainment during the early days of mobilization.

The program was implemented in August 1981 with the first "hip pocket" mobilization orders issued in November 1981. Currently 132,000 retirees have been preassigned to CONUS installations. United States Army, Europe (USAREUR) has 2,300 preassigned retirees and Korea 185.

The Army plans to expand the recall program by increasing the numbers of positions suitable for fill by retirees. The program is currently being

The civilian component of the total Army team is essential to mission accomplishment. Plans for military readiness must be matched with equally well-developed plans for civilian readiness. Mobilization planning is an essential element of the total civilian personnel program.

Managers and civilian personnel office (CPO) staffs develop and maintain emergency implementation documents. Civilian personnel initiatives in mobilization initiatives include: development of an ADP base for retired federal civilians, development of a handbook for emergency essential employees and identification and screening of employees who are ready reservists.

Manpower Management

Manpower management within the Army has become a focus of attention for leadership at all levels. With a steady military Active Component end strength of 780,800 and increasing requirements for civilian manpower beyond resource limits, intense manpower management has become critical. Army managers have met these challenges in standards and requirements, programing and budgeting, allocation and documentation, and analysis and evaluation.

Traditional staffing guides and costly manpower surveys are being replaced where possible by the Manpower Staffing Standards System (MS^3) and the Manpower Requirements Criteria (MARC). These programs allow for the standardization of manpower requirement determination and is on the basis of functional activities. This will in turn validate the requirements base and allow reasoned and effective manpower and resource benefit decisions.

The Army is developing and fielding the Light Infantry Divisions and has taken action to free light division units from installation support. To support this initiative, the Army has conducted on-site reviews to evaluate and validate the base operating support manpower resources determined necessary to support the activation or conversions and training strategy of each of the light infantry divisions. Differences between the 6th ID, 10th Mountain Division, 25th ID, and 7th ID in base support operating services have created the need to structure hybrid base support organizations for each division. The net result of these efforts is increased training opportunities for division units.

Plans for standardizing organizational structures among like-type units are underway which will greatly facilitate manpower allocation and management. There are three aspects to this action: First, those units which can be converted to existing standard-organizational structures (primarily among the "fighting" arm of the Army), will be converted. Second, those units which do not fit any existing model but which can be standardized, will be. This will be accomplished through the horizontal standardization across major commands of activities performing similar functions, such as civilian personnel or budget functions. Finally, control measures are being developed to manage the remaining Army units; those one-of-a-kind organizations that do not meet criteria for conversion or standardization. Current controls such as Standards of Grade Authorizations and manpower surveys are being reinforced by more complete grade and skill guidance to the field in the Army's Program Budget Guidance (PBG at Grade and Skill). Standardization will reduce skill shortages and unit and family turbulence.

New Manning System

In FY81, the Army began implementing a program designed to increase combat effectiveness by reducing personnel turbulence and fostering unit cohesion. This program, the New Manning System, is composed of two major subsystems; the COHORT (Cohesion, Operational, Readiness, and Training) Unit Movement System and the US Army Regimental System.

The New Manning System functions on a unit replacement versus an individual replacement basis. It fosters an environment of stability wherein increased commitment to mission and readiness, soldier bonding, improved training, and a greater sense of espirit de corps flourish. To date, 77 infantry, armor, and artillery combat units of company/battery size have been accessed, trained, and placed in the operating force throughout the US Army Forces Command (FORSCOM).

COHORT companies and batteries operate for a three year period. Some of these units are designated as rotating COHORT units and spend half of this period at an overseas location. All COHORT companies and batteries disestablish at the end of their three year life cycle. Eighteen of these units have been deployed to Europe, Korea, and Alaska.

Based on positive experience with COHORT companies and batteries and favorable feedback from field commanders, the Army is expanding the scope of the New Manning System to include COHORT battalion rotation. The Army has formed eight COHORT combat arms battalions (4 Infantry, 2 Artillery, 2 Armor) which will rotate between stateside installations and Europe during June-August 1986. Stateside installations participating in the rotation of these battalions include Forts Bragg, Hood, and Riley. The eight rotating battalions will spend three years in Europe, or in CONUS, then rotate back to their original stateside/OCONUS locations in June-August 1989. The life cycle of these units will be a continuous six year cycle. As in the case of rotating COHORT companies and batteries, rotating COHORT battalions will deploy to their new duty locations within the framework of a regimental system which offers soldiers and their families a greater measure of stability, a sense of belonging to a unit, closer ties with other military families in the same unit, and a greater degree of certainty as to what their futures in the Army will look like. To support these initiatives, the Army has changed existing policies and procedures to provide an environment which is supportive of the Quality of Life needs of these soldiers and their families.

Additionally, the Army is activating/converting the 6th, 7th, 10th, and 25th Infantry Divisions (Light) through the use of COHORT battalions. In FY85, the Army will have a total of 13 COHORT battalions, to include the 8 rotating units. In FY86, the number of COHORT battalions will increase to 21. Future plans envision the rotation of combat arms battalions between stateside installations and Alaska, Panama, Hawaii, and Korea.

Soldier Oriented Research and Development

Soldier oriented research and development provides the data to develop viable personnel programs and policies. It affords the Army pertinent information to target our recruiting efforts on the population segment of highest enlistment potential and distribute recruiting resources for optimum effectiveness. Research and development results in new tools such as the refined to make it more responsive to the needs of the Army and retirees upon mobilization. The Army retiree provides a low cost,dedicated manpower asset that will be one of our more reliable resources of manpower.

Civilian Manpower

As a result of the FY85 Defense Authorization Act, civilian employment is no longer managed by end strength. Instead, a civilian employment estimate is used as a baseline in conjunction with an annual financial target for civilian employment management. The Department of the Army monitors actual employment levels against subordinate command's employment level plans.
Deviations of more than 3% require justification in output or management efficiency. The goal is to provide discipline to the system without the rigidity of a ceiling end strength while allowing flexibility in personnel management.

FY86 employment figures will increase from 401,000 to 406,000 employees Army-wide. Increases in civilian strength are for increased civilian substitution for military positions (thereby freeing military personnel combat related functions), medical quality assurance programs, European ammunition management and training initiatives.

Realizing the importance of a highly skilled workforce, the Army will implement the Army Civilian Training, Education, and Development Systems (ACTEDS) to improve the training and leadership development of key civilian managers and executives. ACTEDS defines a structured, total career plan for the career program workforce which blends developmental work assignments and formal training so that minimum essential technical, professional, managerial, and leadership training and development is systematically accomplished. FY86 funding will be spent on: job analysis studies which define training and development requirements in six of 23 career programs; centrally managed seats in managerial training courses and long-term training programs; and the development and fielding of a new course, Introduction to Leadership, for interns (GS 5-9). The federal civilian workforce now has, for the first time through ACTEDS, a formalized career development and training system similar to that provided military members.

Joint Optical Information Network (JOIN) system which has been of tremendous benefit to both the recruiter and the recruit in conveying initial information about the Army. Important research underway will, for the first time, link our soldier selection measures directly to performance on the job. This work alone will have a cost avoidance benefit of several million dollars by targeting the new recruit in the right job upon entry in the Army. Our research also provides data to develop reenlistment criteria to target bonuses on selective MOS to retain quality soldiers in both Active and Reserve Components.

In consonance with Army themes, research is attending to the role of the family in readiness and as a factor in soldier retention and effectiveness. In the area of leadership, research continues to provide us new and better tools for developing leadership qualities and for assessing leadership effectiveness.

The improvement of soldier performance is a major research objective. We achieve this by building more effective training, determining how frequently to refresh various skills, through more effective assessment of performance and by developing job and training aids for the soldier.

The Army is targeting research on new equipment development. The goal is to field equipment which achieves its full potential in the hands of the soldier on the battlefield. Compatibility of soldier-machine interface throughout the design and development process is essential to determining the optimum quality, skill level and number of personnel required to operate and maintain new equipment and systems.

Quality of Life

Commanders at all levels of the Army will increase their emphasis on improving the quality of life for soldiers and their families. The programs implemented as part of the Army Family Action Plan in 1984 will not be terminated or forgotten. With the support of commanders and family members, we have isolated those key issues which need continued emphasis and developed new initiatives to help retain the families of our quality force, thereby increasing the combat effectiveness of our total Army.

Initial Army efforts have been targeted on quick action to complete the low cost-high payoff issues. The following examples illustrate some of the efforts that have been undertaken by the Army during this past year.

A significantly revised sponsorship regulation is being published. The objective is to ease the stress associated with relocation and provide soldiers and families with critical information, advice and support to help get settled quickly and begin to feel at home in a new environment.

A recent change in our family housing policy allows spouses of Army personnel to sign the required documents to obtain on post housing without a power of attorney from the service member. This change makes the relocation process a little easier.

Another housing policy change allows family members to participate in the panels that design the interior of family quarters, soliciting ideas and recommendations from the people who live and utilize these facilities.

A third policy change makes all junior enlisted soldiers in pay grade E4 and below, who are otherwise qualified, equally eligible for family housing.

Reducing the family housing furniture deficit in USAREUR is a critical element of total family support against which we are applying additional resources. Currently, there is a $122 million dollar deficit. The deficit will be reduced by $14 million in FY85, $20 million in FY86. The remainder of the deficit will be eliminated by FY90.

An Army-wide training and orientation effort has been undertaken regarding the Army's commitment to its families. This consists of family awareness training for the chain of command through lesson plans and a program of instruction in leadership and professional development courses at all Army service schools. The instruction is designed to teach Army leaders about their responsibilities to families, and to make them fully knowledgeable about family needs, conditions, and requirements.

A second part of the family orientation effort is focused on the family members. Two videotapes have been made for world-wide distribution. The first has, as its primary audience, spouses of basic entry level soldiers arriving at the service member's first permanent duty station. The tape documents the basic aspects of Army lifestyle, history, culture, benefits, services, facilities, and opportunities. The tape provides information and answers questions at the earliest possible time in order to avoid unnecessary hardships due to lack of information. The film will improve the Army's effort to get information to the hard to reach spouse, and help ensure a smoother adjustment of the family into the Army community. New family members are shown the film when they apply for their first identification card.

The second tape is designed for the seasoned soldier, the civilian employee and family member upon arrival at any installation. It is tailored to the viewer's existing knowledge of the Army system and will be used in conjunction with the installation's newcomer orientation briefing. In addition, for each person viewing it, a booklet is being developed in four languages (English, Spanish, German, and Korean) which supplements the film with detailed explanations and additional information. The idea is to provide standardized information for soldiers and family members.

A family fitness program has led to the establishment of health and fitness advisory teams and fitness facilitators at each medical center and medical treatment facility. In addition, a directory of Health and Fitness Education Resources, a planning guide for health fairs, and a Family Fitness Handbook have been published and distributed. This concept focuses on "total family wellness". It includes advice on nutrition, exercise, balanced diets and recipes which support maintenance of the total fitness spectrum.

Recent policy changes made in our employment programs are making it easier for Army employed family members to get a job when their sponsor moves to a new duty station. These changes provide family members, of military and civilian employees serving in civil service positions overseas, non-competitive appointment to civil service positions upon their return to the United States. Another effort involves the priority placement family member referral program which is being tested within the continental United States. In the area of non-appropriated fund employment, a new policy permits Army family members, currently employed by such activities, to obtain employment through non-competitive reinstatement in a non-appropriated activity at their new duty assignment within six months of separation from their old assignment. This policy applies to all non-appropriated fund employees, but it benefits Army family members who are most subject to frequent relocation. Revised guidance has been issued to increase the emphasis on job sharing, part-time employment, and youth summer hire programs.

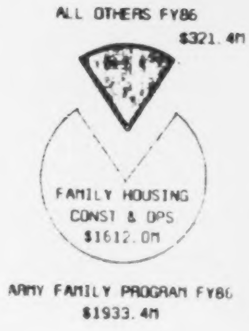
Family member employment, especially overseas, is being addressed through One-Stop Employment Information Centers jointly developed by civilian personnel and Army community service offices. They provide comprehensive employment assistance at one central location. Highlighted will be training for family members on how to identify and market their employable skills gained from volunteer and home management activities.

Other internal Army efforts include formation of volunteer family support groups at small unit level, improving the training, use and referral of volunteers, creation of adjustment programs for bi-cultural families, provision of a comprehensive strategy for prevention, education and counseling for drug and alcohol abuse, improvements in the family housing self-help program, revision of on-post quarters termination procedures, the addition of first-termer family policy issues to the Family Action Plan, use of marketing and information campaigns to inform soldiers and family members of benefits and ongoing actions that support community and family programs, initiation of studies and surveys of family safety measures, and conduct of a comprehensive study of the youth activities program.

Great strides have also been made in bringing about necessary changes in community life management. In November, 1984, the Army opened the US Army Community and Family Support Center (USACFSC). Its establishment reinforces the Army's commitment to family and community initiatives and institutionalizes the improvements made in those activities. This new center is a field operating agency of the Deputy Chief of Staff for Personnel. It brings together community and family functions previously performed by The Adjutant General, Civilian Personnel Center, Military Personnel Center, and Office of the Deputy Chief of Staff for Personnel. Its functions include family support, installation support, leisure sales and service, lodging and hospitality operations, Army recreation machines, nonappropriated fund personnel management and community facilities construction. The Army family initiatives embodied in the continuously updated Family Action Plans seek to provide quality services and programs to meet the needs of Army families and community activities.

We are determined to do everything we can within available resources to improve the quality of life for our soldiers and families. A lot is being done with existing resources, but the Army cannot do it all without the help of Congress. To sustain this effort, and to continue the progress being made, our FY86 budget addresses issues that have a high payoff but require additional funding. Chart 12 depicts the resources required to support the Army family program.

THE ARMY FAMILY PROGRAM



$ MILLIONS	FY85	FY86
CHILD CARE CENTER CONSTRUCTION	9.9	41.2
COMMUNITY SUPPORT SERVICES	15.3	24.3
DEPENDENT YOUTH ACTIVITIES	12.4	15.6
CHILD DEVELOPMENT	13.1	27.7
EXCEPTIONAL FAMILY MEMBER PROGRAM	9.3	15.2
EMERGENCY LEAVE	9.3	9.7
FINANCIAL PLANNING ASSISTANCE	0.0	3.4
QUARTERS BASED CHILD CARE	0.0	6.2
STUDENT TRAVEL	2.0*	1.7
FAMILY MEMBER EMPLOYMENT	0.0	0.7
SAFETY TRAINING PROGRAMS	0.0	0.5
FAMILY RESEARCH	0.0	6.8
OVERSEAS SCHOOL LUNCH PROGRAM	0.0	6.0
NEW FAMILY PROGRAM INITIATIVES (i.e., INCREASE HHG, PCS INITIATIVES)	0.0	162.4

*$1.9M FUNDED BY MACOMs

These resources are part of the total quality of life program within the Army. They are designed to reduce stress on military families, improve those programs that support our families and begin to close the gap that exists between the benefits and services available in the society that we are pledged to defend and the limited benefits and services that our soldiers and families currently have available to them.

Funds to accelerate long required upgrade and construction of child care centers are included within the FY86 budget request. Child care is a readiness issue. Army active duty members have a total of more than 700,000 children. Fifty percent of them are under age five. Providing adequate child care facilities is one of our prime concerns. In 1985, Congress approved five child care projects. In 1986, 19 projects have been requested. Child Development Services (CDS) actively monitors upgrade of existing child care facilities and new construction projects to meet standards and community needs for service. Additionally, as a result of a third quarter FY84 study, a CDS personnel action plan was devised to address issues raised and to accomplish CDS personnel initiatives to include career development opportunity. Additional resources ($15.2 million) have been targeted for the Army's Exceptional Family Member Program. Efforts to identify, diagnose, refer, and treat handicapped family members have been increased and the requested resource will support this program.

New programs address family initiatives in support of Army Community Services (ACS), a program which is the primary resource for family support on Army installations. Major ACS programs are: information referral and follow up services, relocation services, family advocacy, exceptional family member services, consumer affairs and financial services and foster care services. ACS has never been adequately funded to perform the missions and provide the services that Army families deserve.

A financial assistance and consumer education program funded at $3.4 million will offer education and debt liquidation counseling to soldiers and their families. Home based child care programs, $6.2 million, will provide for the supervision of 9,660 trained, certified and supervised child care providers as a supplement to center-based child care and to provide for extended hours. Family member employment referral programs funded at $700 thousand will provide 19 one-stop employment information centers to assist family members with continued employment in their highly mobile lifestyle. Finally, $3.8 million of $15.2 million for the exceptional family member program provides for a family services coordinator at ACS centers to offer counseling and supportive services to handicapped family members, information and referral, follow-up, and foster care. It also provides for collection of information regarding world-wide medical and educational resources for use in the automated assignment process of service members. Other family programs include funded student travel ($1.7 million), family safety programs ($500 thousand), research aimed at family retention, and evaluation of the Family Action Plan and quality of life factors with regard to their impact on readiness and retention ($6.8 million). Pamphlets and training materials are being developed to inform commanders, soldiers and family members about these programs.

New initiatives for which we hope to see congressional support in FY86 include increases in household goods weight allowances, family travel and household goods entitlements on a soldier's first PCS, leave travel for dependents in connection with consecutive overseas tours, dependent student travel (point-to-point), and increases in dislocation allowance for junior enlisted members' dependents in CONUS. and family separation pay, entitlements to burial travel expenses to burial site for spouse and dependent children, and reimbursement for volunteer expenses.

The Army remains committed to the goal of building a strong Army-family partnership and to assuring adequate support to Army families. Facilities, services and programs for families are not considered frills. There is a strong correlation between the soldier's commitment and Army readiness. That commitment may fluctuate depending on how the soldier feels his family is doing. This can have a large effect on our readiness. We have to take care of our families if we intend to have a strong and ready force. There is a great deal more to be accomplished. Congressional support for these programs will send a much needed positive signal to our soldiers and families about the value placed on their contribution to our national security.

At the onset of this year of "Leadership", it is necessary to assure the members of the Army family that we have not abandoned the efforts begun during the year of "The Army Family". The depth of this commitment has been symbolized by the creation of the Community and Family Support Center. Our efforts will continue to attend to the programs necessary to foster the interdependence between the family and the Army. Leadership will provide us the direction to turn the challenges into opportunities.

Conclusion

The high level of personnel readiness of the total Army is due, in large part, to the solid support from Congress. Your continued support will sustain our personnel readiness and promote an adequate quality of life for soldiers and families . . . the same quality of life as the society they so proudly defend.

Our current program maintains the active component end strength at a constant level due to our high quality soldiers to man the new high-tech, modern equipment. The ARNG and USAR end strength, however, increase significantly. This combined strength surpasses active force end strength by 1987. This trend increases the demands on our citizen soldiers, their families and their employees.

The benefits of our research in manpower, personnel, training and human factors are highlighted throughout this statement. The data obtained from soldier-oriented research allows us to better understand our business. The resources targeted for research are essential to develop data for cost-benefit analysis on personnel programs.

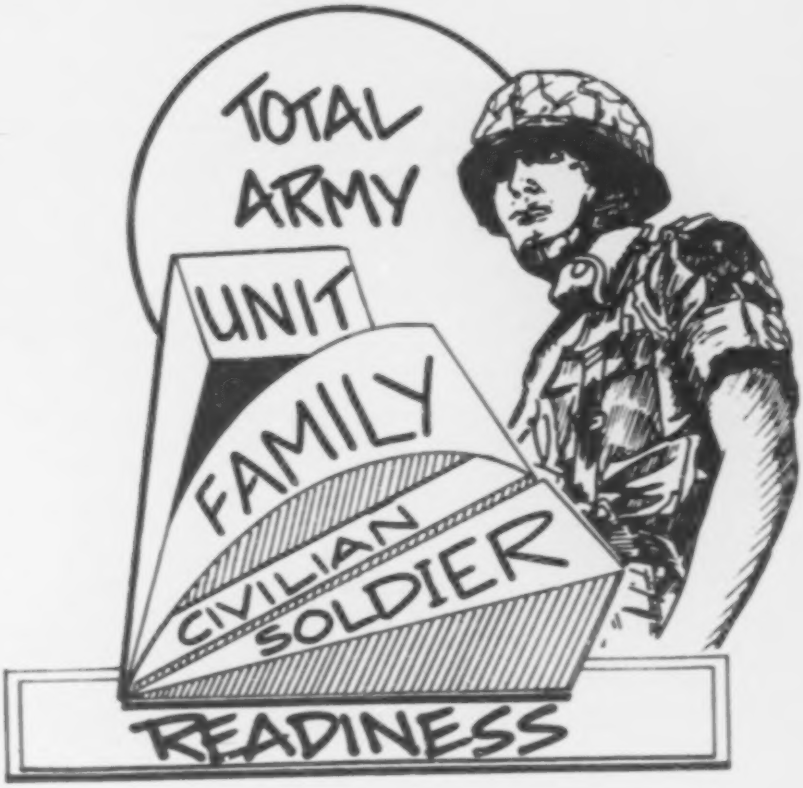
As we continue to experience pressures to maintain our recent success in recruiting and retention, I urge Congress to favorably consider our increases in the incentive packages. Regardless of final budgetary decisions, the Army will work both harder and smarter, leaving no stone unturned, to maintain the positive glide path on quality personnel in our Army of Excellence.

Through our new manning system initiatives, we are assigning our quality, young soldiers in groups from basic training to unit assignments, capitalizing on the positive features of cohesion in our assignment policies.

The impact of the Army's effort in support of previous themes is clearly evident. The winning spirit, high level of physical fitness, and standard of excellence in job performance and personal conduct shown by our soldiers are the best measurement of our efforts. Our rededicated commitment to Army families has already yielded positive results. As we work together in support of the year of leadership, we require the continued strong support from Congress that has proven to be so effective in the past.

Throughout 1985, the personnel community will use the Army's theme of "leadership" to improve our programs. Our goal is to foster the highest level of ethics, military excellence, and personal conduct. Through quality personnel, committed to standards of excellence, our Army is ready today, preparing for tomorrow.

THE ARMY FAMILY ACTION PLAN
II


TOTAL ARMY
UNIT
FAMILY
CIVILIAN
SOLDIER
SOLDIER
READINESS

UNITED STATES ARMY
THE CHIEF OF STAFF

TO MAJOR ARMY COMMANDS AND STAFF AGENCIES

The Army Family Action Plan II, a revision of our orginal plan, continues to implement programs, outlined in the 1983 Army White Paper, that help strengthen the partnership between the Army and its families.

Great strides have been made this past year in support of our Army families. We have resolved many of the issues in the original plan. However, much remains to be done. Several issues are still being worked, others modified as additional information has been obtained, and new issues have been added. The provisions of our new Plan will allow us to continue our efforts.

Once again I ask for your support. Together we can make the Army Family Action Plan II the means by which we exercise our moral obligation to help each soldier, civilian and family member develop the promise of their human spirit.

John Wickham

JOHN A. WICKHAM, JR.
General, United States Army
Chief of Staff

Headquarters
Department of the Army
Washington, D.C.

Military Personnel

Management and Administrative Procedures

Summary. This pamphlet on the procedures for the management and administration of Army family programs has been written using the Army Family Action Plan, dated 8 January 1984 as the base document. It establishes procedures for functional and individual actions.

Applicability. This pamphlet applies to Active Army, National Guard, Army Reserve, and DA Civilian personnel and their families, unless otherwise stated in the applicable procedure.

Impact on New Manning System. This pamphlet does not contain information that affects the New Manning System

Supplementation. Supplementation of this pamphlet is authorized without prior approval. Two copies of all supplements will be provided HQDA (DAPE-HRP) Wash, D.C. 20310-0300.

Interim Changes. Interim changes to this pamphlet are not official unless they are authenticated by the Adjutant General. Users will destroy interim changes on their expiration date unless sooner superseded or rescinded.

Suggested Improvements. The proponent agency of this pamphlet is the Office of the Deputy Chief of Staff for Personnel. Users are invited to send comments and suggested improvements on DA Form 2028 (Recommended Changes to Publications and Blank Forms) directly to HQDA (DAPE-HRP), Wash, D.C. 20310-0300

Distribution. Active Army, ARNG, and USAR: A.

Contents (listed by paragraph number)

Chapter 1
Introduction

Background . 1-1
General Thrust of the Family Action Plan . 1-2

Chapter 2
Building the Army Family Action Plan

The Basis . 2-1
The Philosophy . 2-2
The Family Action Plan . 2-3

Chapter 3
Initiatives

General . 3-1
Issue Categories . 3-2
Relocation . 3-3
Family Support and Role Identity . 3-4
Medical . 3-5
Education and Youth . 3-6

Chapter 4
Responsibilities

Steering Committee . 4-1
Functional Managers . 4-2
Program Managers . 4-3
Deputy Chief of Staff for Personnel (DCSPER) HQDA . 4-4
Major Commanders (MACOMs) . 4-5
MACOM and Installation Commanders . 4-6

Chapter 5
Resources

Purpose . 5-1
Human Goal . 5-2
Oversight . 5-3

Chapter 6
Evaluation

General . 6-1
Objectives . 6-2
Evaluation Phases . 6-3
Other Evaluations . 6-4

Chapter 7
Marketing and Communication Plan

Purpose . 7-1
Objectives . 7-2
Concept . 7-3
Execution . 7-4

Chapter 8
Research

The goal . 8-1
Objectives . 8-2
Information Requirements . 8-3
Consolidation of Existing Information . 8-4
Information Gathering Process . 8-5
Analysis . 8-6
Implementation . 8-7

Chapter 9
Criteria for Future Initiatives

General . 9-1
Commitment . 9-2
Current Family Programs . 9-3
Future Family Programs . 9-4
Army Funded Programs . 9-5
Involvement of the Unit and the Family . 9-6
Use of Volunteers . 9-7
Involvement of Family Members in Future Initiatives . 9-8
Readiness of Soldiers . 9-9

Chapter 10
Non-Appropriated Fund Support

Background . 10-1
U.S. Army Community and Family Support Center (USACFSC) . 10-2
Funding . 10-3
Initiatives . 10-4

Appendix A
Army Family Action Plan Update

Appendix B
Current Initiatives by Functional Manager

Appendix C
Acronyms

Appendix D
Chaplain

Appendix E
CSA White Paper 1983 - The Army Family

Chapter 1
Introduction

1-1. Background

a. The Army goals are designed to serve as the management tools for the planning and programming necessary to move the Army into the future in the most effective way. Since the Army is people, the Human Goal undergirds the other Army Goals and forms the foundation for realization of their full potential.

b. A crucial component of the Human Goal is the objective of fostering wholesome families and communities. Given this fact, the Army Family White Paper, published in November 1983, sets forth a formal statement of the basic philosophy describing the relationship between the Army and the Army family. This Family Action Plan is the logical consequence of the White Paper. It seeks to actualize the White Paper's broad, philosophical concepts and provides a comprehensive way to direct our current and future efforts to forge excellence for families within available resources in concert with the other Army goals.

c. The first Family Action Plan was published in January 1984. It was the result of an intensive effort of a Family Action Coordination Team (FACT) to provide an implementation strategy to get us to the 1990s. The FACT was a task force composed of military and civilian staff personnel with expertise in family related issues at Headquarters, Department of the Army (HQDA). This group provided the nucleus of a new division at HQDA which dealt exclusively with family and community policy issues on a full time basis.

d. In preparing the original plan, the FACT, in conjunction with other HQDA proponents, majore commands (MACOM) representatives, and family members, researched, analyzed, and evaluated the issues raised at the Army Family Symposia of 1980, 1981, and 1982, as well as the Family Action Planning Conference conducted at Fort Belvoir in July 1983. In addressing these issues in light of the White Paper philosophy, it became evident in many cases issues were only symptoms, not root causes of the problems. It also became evident that all issues could not be addressed simultaneously. Some were highly resource dependent, others required statutory changes, while still others needed to be studied further to determine what could or should be done. Those responses outlined for implementation in the first Plan were selected by the DA Staff proponent and the FACT as having the highest payoffs. Others still need to be studied to determine the specifics for implementation. Milestones were set to ensure proponents reported the results of their study and alternative responses where applicable.

1-2. General thrust of the Family Action Plan

a. The general thrust of the original plan was to arrange programs and initiatives over time, working on those that were low cost/high payoff first, and then addressing those which were are high cost/high payoff over the five years covered in the Army's Programing/Budgeting cycles and documented in the

Program Objective Memorandum (POM). Exceptions were those resource dependent programs already costed in the POM. These were evaluated to ensure they contributed to the Human Goal objectives and were consistent with the philosophical goal of the White Paper.

b. Much progress was made in the year following the original publication of the Army Family Action Plan in January 1984. Declaration of that year as the "Year of the Army Family" further cemented the Army's institutional commitment to its families and provided the additional momentum necessary to affect change. For the first time, resources were programmed specifically for many family programs designated as high-cost/high-payoff in the original plan. These programs included family member employment, consumer affairs and financial management, family services, family child care, family research, and child care center construction. A Family Action Plan General Officer Steering Committee became fully functional and reviewed progress, redirected resources, and identified additional issues to be addressed for families. In an unprecedented Army-wide effort to determine family needs and review the implementation of the Family Action Plan in the field, the Chief of Staff directed that a world-wide special Inspector General (I.G.) inspection be conducted. The results of that inspection will be incorporated into Army programs and policies.

c. Major Commands and installations responded to the Year of the Army Family with commitments of their own. Resources were requested specifically for family programs. Supplementary Family Action Plans were published. At installation level, family seminars replaced the previously successful Army Family Symposia and allowed as many as 24,000 family members to participate in the identification of needs and refinement of family initiatives. Installations began to redirect existing resources to support a variety of family programs for which funds were not yet available. Notable among these were the establishment of positions for Installation Volunteer Coordinators and One-Stop Employment Information Centers.

d. The National Guard Bureau (NGB) and Office of the Chief of Army Reserves (OCAR) also recognized and addressed family needs. A full-time family coordinator was hired within NGB. OCAR assigned action officers for this purpose and established its own General Officer Steering Committee.

e. Perhaps most importantly, family members themselves responded to needs of the Army community in the true spirit of partnership. Nowhere was that more evident than in the formation of family support groups on many installations. These groups emphasized self help and support to families and soldiers in time of deployment. For instance, family members within the 82d Airborne Division operated Family Support Groups to provide an information and assistance network which reduced demands on the force deploying to Grenada. Further, for the first time, family members were part of the teams that informed families of casualties and provided a support system for the affected family. Family training, which began at service training schools such as the Command and General Staff College's Pre-Command Course, the War College, and the Sergeants Major Academy, began to spread throughout the Army and is a common occurrence at many installations. Finally, in testimony to the success of the Army's efforts, the Army Family Action Council, initiator of family action through its symposia and involvement, announced its intention to disband. The Deputy Chief of Staff for Personnel, however, accepted this disbandment only as a retirement and reserved the right to recall the Council as required.

f. As the Year of the Army Family drew to a close in December 1984, the Army reinforced its commitment to its families through the establishment of the U.S. Army Community and Family Support Center and a revision of the Army Family Action Plan, prepared through a second Family Action Plan Planning Conference with worldwide representation in November 1984. The Army Family Action Plan II and the new Center will carry the momentum of the Year of the Army Family into 1985 and ensure the institutional survival of family programs and policies.

Chapter 2
Building the Army Family Action Plan

2-1. The Basis

a. The Army's relationship with the Army family evolved slowly for more than two centuries. Until the Vietnam conflict, the Army's philosophy toward the family could largely be summed up by the witticism, "If the Army wanted you to have a family, it would have issued you one." However, with the deployment of units to the Dominican Republic and to Vietnam, the Army recognized a greater responsibility to Army families.

b. The Army realized family problems in the United States seriously influenced the performance of our soldiers in Vietnam. ACS was the first of many Army responses to the needs of the Army family which were implemented over the past two decades. The programs were developed in response to needs perceived to exist in the field. However well intentioned they may be, these programs addressed specific needs at specific times, and as such were not a product of comprehensive planning. The three Army family symposia served to highlight the fact on-going family programs lacked a focus or priority. These on-going programs failed to provide a basis for what could or should be done, based on a realistic cost benefit analysis and an assessment of where the Army needed to go.

c. In order to determine future direction, the Army's future vision, as contained in its Human Goal, must be examined. The Human Goal has an objective of fostering wholesome lives for Army families. This objective follows the realization that by providing for families, the Army is contributing to its ultimate goal, total readiness.

2-2. The Philosophy

a. On 15 August 1983, the Army Chief of Staff amplified and specified a philosophy toward the family in the Army Family White Paper. The stated philosophy is:

> A PARTNERSHIP EXISTS BETWEEN THE ARMY AND ARMY FAMILIES. THE ARMY'S UNIQUE MISSIONS, CONCEPT OF SERVICE AND LIFESTYLE OF ITS MEMBERS -- ALL AFFECT THE NATURE OF THIS PARTNERSHIP. TOWARDS THE GOAL OF BUILDING A STRONG PARTNERSHIP, THE ARMY REMAINS COMMITTED TO ASSURING ADEQUATE SUPPORT TO FAMILIES IN ORDER TO PROMOTE WELLNESS; TO DEVELOP A SENSE OF COMMUNITY; AND TO STRENGTHEN THE MUTUALLY REINFORCING BONDS BETWEEN THE ARMY AND ITS FAMILIES.

b. The three critical elements in this philosophy are partnership, wellness, and sense of community.

(1) Partnership. Partnership has to exist between the Army as an institution and the individuals who are part of it: soldiers, civilians, and family members.

Partnership is a cohesion of the Army and family members based on mutual understanding of the mission and commitment to each other. It includes the needs for independence and dependence between the family and the Army and develops mutual interdependence between the two partners within a model where the Army serves as an institution rather than just a job or workplace. Partnership, therefore, is a reciprocal relationship, built on moral and ethical responsibilities and statutory and regulatory requirements.

(2) Wellness. Wellness highlights our concern for developing those strengths, skills, aptitudes, and attitudes which contribute to wholeness and health in body, mind, and spirit. In the past most of our plans, programs, and policies focused on basic needs or on correcting dysfunctions. Our concentration now and in the future is to capitalize on what is working well, by drawing on the characteristics of our many healthy families and transmitting these characteristics to those needing assistance.

(3) Sense of Community. Sense of Community is the center of the partnership with all members offered the challenge and opportunity to work together for the common good. When viewed in this light, it means each member of the Army community has a special responsibility to make it a better place in which to live and work and, thus, in concert move toward an Army of Excellence.

2-3. The Family Action Plan

a. This plan derives from the philosophy stated in the Army White Paper. It is the instrument which provides the means to make the transition from the present to the 1990s and beyond.

b. In structuring the plan, there are certain functions which affect and, in turn, are influenced by the plan. These include: policy, resources, training, structure, publicity, leadership, and anticipated demographic and cultural changes in the Army Family.

c. In implementing the plan, the focus must be on three distinct levels of influence: the unit/installation, the MACOM, and HQDA.

d. In addition to the identification of resources for resolution of current issues, there is much which can be done by actions or changes being made in the areas of leadership philosophy, the training base, increased publicity, regulatory and policy changes, and congressional legislation. This has been noted in the required action portion of the individual issue statements.

Chapter 3
Initiatives

3-1. General

a. This chapter presents the list of issues selected for inclusion in the Army Family Action Plan II.

b. Sixty-seven issues are in this plan. Thirty-one of the issues from the original Army Family Action Plan are included. In addition, thirty-six new issues are added. The list of issues was developed by the Annual Family Action Plan Planning Conference conducted at Fort Belvoir, Virginia from 14-16 November 1984. Participants included representatives from all major commands (MACOM), the Army staff, Field Operating Agencies, Continental Army (CONUSA) representatives, and family members. The MACOM input was the culmination of Army-wide local/regional seminars attended by over 24,000 family members.

3-2. Issue Categories

The issues are grouped into the the four major program themes of relocation, medical, family support and role identity, and education and youth. As appropriate, the number in parentheses after the issue title represents the issue number from the Army Family Action Plan, dated 8 January 1984.

3-3. Relocation

a. Overseas Orientation (DACF, DAPC-EPZ-M, and DAPE-CP). (1)

(1) Issue. Family members require an effective Overseas Orientation Program with standardization of relocation information and distribution to relocating Army families in sufficient time to help the process.

(2) Required Action.

(a) DACF-FS will coordinate development of orientation videos for major overseas areas. Milestones will be submitted to DAPE-HRP NLT 1 May 85.

(b) DACF-FS will determine feasibility of having overseas orientation videos shown on Military Airlift Command charter flights.

(c) DAPE-CP will coordinate with DACF-FS in the development of orientation videos and other materials to ensure consideration of civilian employees and families.

b. Employment Information and Referral Service (DAPE-CP and DACF-FS). (17)

(1) Issue. The Army family working spouse faces substantial hardship when the Army member is reassigned.

(2) Required Action.

(a) DAPE-CP will publish results of CIVPERCEN study NLT 1 June 1985. Based on study develop additional action as required.

(b) DACF-FS will coordinate with DAPE-CP and DAPE-HRP on the development of a capstone document which defines the Army's Family Member Employment Program and CPO/ACS program elements that comprise the program. Document will be completed NLT 4th Quarter FY 85.

(c) DACF-FS will monitor FY 86-90 ACS program resource implementation through semi-annual field reports.

c. Sponsorship (DAPC and DAIG) (40)

(1) Issue. The revised sponsorship program needs command emphasis.

(2) Required Action.

(a) DAPC will develop video tapes to be used to support the sponsorship training. Tapes will be completed NLT 1 June 1985.

(b) DAIG will review implementation of revised Army Sponsorship Program as part of the "Caring" area of special interest.

d. Weight Allowances (DAPE-HRP). (50)

(1) Issue. Household Goods Weight Allowances - in many cases these allowances are inadequate to prevent out-of-pocket expenses by Army families during PCS.

(2) Required Action.

DAPE-HRP will continue to support and seek increased household goods weight allowances.

e. House Hunting Compensation (DAPE-HRP). (51)

(1) Issue. Servicemembers are currently not authorized funded travel for purposes of locating housing if quarters are not available at next duty station.

(2) Required Action.

DAPE-HRP will initiate legislation NLT 1 June 1985 which would authorize travel and per diem for up to 7 days for members and spouses to locate suitable housing at the new duty station.

f. Reimbursement for Real Estate (DAPE-HRP). (53)

(1) Issue. Reimbursement for Real Estate Expenses - Servicemembers must absorb all costs associated with buying/selling a residence.

(2) Required Action.

DAPE-HRP will initiate legislation NLT 1 June 1985 which will authorize reimbursement for some of the expenses incurred in selling/buying a home incident to PCS.

g. PCS Education (DALO).

(1) Issue. The actions to increase reimbursement for PCS expenses is a long term solution. In the interim, assistance can be provided by educating soldiers and their families to move more economically.

(2) Required Action.

DALO has developed a simple, plain-English guide to PCS moves (DA Pam 55-2) that is provided to each family at the time they are counseled concerning a forthcoming PCS move.

h. Security Deposits (DACF and DACA).

(1) Issue. PCS moves create financial hardships for soldiers, particularly those serving in the lower pay grades. One of the more significant expenses associated with establishing a new residence is payment of security deposits often required by landlords and utility companies for such services as electricity, gas, telephone, water and rent security. Some Army installations have been successful in negotiating agreements with local utility companies which waive payment of utility deposits for servicemembers.

(2) Required Action.

(a) DACF will review the issue and develop a strategy to replicate a "no deposit" arrangement to the widest extent possible. Strategy will be completed NLT 1 May 1985.

(b) Explore the possibility/feasibility of NAF making/guaranteeing payment of housing/utility deposits. Strategy will be completed NLT 1 May 1985.

(c) DACA will explore the possibility of obtaining authority for the government to make/guarantee payment of housing/utility deposits.

i. Family Travel-Mobilization (OCAR, NGB, DALO, DAPE-HRP, and DAMO).

(1) Issue. Some USAR and ARNG units are programmed to be employed within CONUS during mobilization. Current mobilization plans do not authorize family member travel and HHG shipment for USAR and ARNG unit members to first duty station upon mobilization. This blanket policy could be a substantial morale problem for USAR and ARNG units upon mobilization.

(2) Required Action.

NGB, with OCAR assistance, will conduct a review of policy and provide a recommendation to the GOSC scheduled for March 1986.

3-4. Family Support and Role Identity

a. Family Member Support Groups Installation/Unit (DACF-FS, DAPE-CP, OCAR, NGB, and DAPE-HRP). (9)

(1) Issue. Examine family member support groups at installation (AC) and Unit (RC) level.

(2) Required Action.

(a) DACF-FS, in coordination with DAPE-CP, will develop a pamphlet on establishing and operating family support groups. Document will be published NLT 31 Dec 85.

(b) NGB, with OCAR assistance, will conduct a review of policy and legal constraints which restrict RC family member travel and provide recommendations and possible changes to allow RC family members funded travel to affiliation programs, briefings, family conferences, etc. Recommendations will be presented to the GOSC scheduled for September 1985.

b. Publish List of Benefits (DACF and SAPA). (10)

(1) Issue. Benefits and entitlements of soldiers (AC and RC) are numerous and in some ways complicated or unknown to the soldiers they were designed to aid. Soldiers and families need to be aware of the full range of benefits and entitlements due to them.

(2) Required Action.

(a) SAPA will continue to utilize all resources within command information channels to disseminate information on benefits and entitlements to soldiers and their families.

(b) DACF will develop an annual single publication on benefits and entitlements. SAPA will provide technical publication advice and assistance.

c. Reimbursements of Volunteer Expenses (DACF). (12)

(1) Issue. Many Army family support programs depend on volunteers. In many cases, volunteers must pay to volunteer. This decreases the availability of volunteers and can degrade programs.

(2) Required Action.

(a) DACF-FS will develop a regulation that implements recent legislative changes on use of volunteers. Regulation will be completed NLT 1 AUG 85.

(b) DACF-FS will coordinate action to seek Army policy and/or legislative change that authorizes reimbursement of child care expenses incurred by volunteers. Provide milestones to DAPE-HRP NLT 1 April 85.

(c) The retired community represents a lucrative potential source of qualified and available volunteers. They should be considered in all actions.

d. Housing Operations Management System (HOMES) (DAEN). (28)

(1) Issue. Family housing management techniques are not standardized and have not employed modern techniques through the use of automated systems.

(2) Required Action.

Continue to deploy HOMES on schedule with completion date by end of FY 88.

e. Quarters Maintenance (DAEN-ZCH). (33)

(1) Issue. Family quarters maintenance problems include workload backlogs, insufficient funding, and lack of supplies.

(2) Required Action.

DAEN will issue family housing maintenance standards and procedures and provide guidance to the field NLT 1 April 1985.

f. Child Development Services (CDS) Quality of Staff (DACF). (35)

(1) Issue. The quality of child care provided by the child development staffers at Army installations is adversely affected by staff recruitment, retention, and training problems.

(2) Required Action.

(a) Model CDS position descriptions for CDS management personnel were completed in January 1984 and distributed to the field in February 1984. An updated series of position descriptions will be distributed in February 1985. Four additional model position descriptions and two standard position descriptions are due for completion in 2nd Qtr FY 85. The remaining model position description is due in 3rd Qtr FY 85. Standard position descriptions for caregivers are due to be distributed to the field in the 2nd Qtr FY 85.

(b) DACF will develop policies and procedures that insure adequate background checks are accomplished for center-based and home-based caregivers.

g. Family Advocacy Program (DACF). (16)

(1) Issue. The Family Advocacy Program and attendant policies need to be reviewed in light of recent findings of the Attorney General's Task Force on Family Violence. Programs and policies need to be designed to ensure that the Army has an effective institutional response to family violence.

(2) Required Action.

(a) DACF-FS will coordinate a review of existing law enforcement, criminal justice, and treatment procedures and policies. Ensure that these policies effectively address the prevention of spouse and child abuse and provide sufficient protection and treatment for victims of abuse. Provide recommendations to the GOSC scheduled for September 1985.

(b) DACF will explore the treatment provided family members when sponsor is incarcerated and the family is no longer entitled to Army medical care. Provide recommendations to the GOSC scheduled for September 1985.

h. Alcohol and Drug Abuse (DAPE-HRL). (38)

(1) Issue. The alcohol and drug abuse program needs additional resources to adequately support the Army family member population.

(2) Required Action

The Alcohol and Drug Abuse Prevention and Control Program (ADAPCP) family counseling courses, recently established at Health Services Command, will be expanded to USAREUR in 3rd Qtr FY 85. The ADAPCP Family Services Newsletter will be distributed to the Field in March - April 1985.

i. Exceptional Family Member Program (DACF). (39)

(1) Issue. The increasing number of exceptional family members in the Army has created the need for additional support in overseas areas.

(2) Required Action.

(a) DACF will develop a capstone regulation NLT 1 June 1985.

(b) Staff proponents will continue programs in progress.

j. Assure Total Integration of DA Civilian Family Members Into Army Family Programs (DAPE-CP, DACF, DASG, DAPE-HRP, and DAEN). (44)

(1) Issue: The need exists to include family members of Department of the Army civilian employees in Army programs designed to address family member needs.

(2) Required Action.

DAPE-CP will develop a plan of action to address the following five areas which have been identified as significant initiatives in support of family members: civilian workforce advocacy, child care, sponsorship/relocation, information and referral, and overseas considerations. Coordinate with HQDA proponents for input on civilian needs and concerns in these areas. Progress report will be briefed to GOSC scheduled for September 1985.

k. Parental Kidnapping (DACF). (45)

(1) Issue: Parental kidnapping typically involves a parent taking a child from the parent having custody, and taking the child to an overseas environment. The problem of enforcement of custody decrees or orders must be addressed exclusively by the civil court system.

(2) Required Action:

(a) DACF will develop a specific policy NLT 30 June 1985.

(b) Policy will, upon approval, be published in AR 600-40 and AR 608-99.

l. Family Support - Mobilization (NGB, OCAR, DAPE-CP). (46)

(1) Issue. Current Army plans to support families (Total Army) during mobilization (Army Mobilization and Operations Planning System) (AMOPS) do not provide detailed plans to support various levels of mobilization.

(2) Required Action.

(a) DAPE-CP will develop a handbook to assist families of overseas civilians who are designated as emergency essential and who may be required to remain in the overseas area in the event of hostilities. Draft will be staffed with the field NLT 30 June 1985.

(b) National Guard Bureau (NGB) and Office of Chief Army Reserve (OCAR) will finalize policies and plans to support families which address the full impact of mobilization upon reserve component families and existing Army support structures. Coordinate with the Family Liaison Office. Program will be briefed at the GOSC scheduled for September 1985.

m. Volunteer Banks (DACF). (57)

(1) Issue. The need exists for a central coordinating point to identify and develop meaningful volunteer opportunities, train supervisors of volunteers, and provide for evaluation and documentation of individual/group volunteer activities.

(2) Required Action.

DACF will:

(a) Survey existing volunteer coordinators to determine the benefits of such programs and lessons learned.

(b) Develop model programs and distribute them to the field. Use of retired community will be included in models as appropriate.

(c) Provide milestones to DAPE-HRP NLT 1 March 1985.

(d) Prepare FY 87-91 PDIP for gradual implementation of Installation Volunteer Coordinator positions worldwide.

n. Bi-Cultural Family Adjustment (DACF). (59)

(1) Issue. A need exists to facilitate adjustment of bi-cultural families to U.S. culture in order to preclude onset of family dysfunction and increase individual/unit readiness.

(2) Required Action.

A Leader's Guide to Bi-Cultural Families and a Handbook for Service Providers Working With Bi-Cultural Families are being prepared for field dissemination in 4th Qtr FY 85. In addition, a project is underway to assess the needs of bi-cultural families and to prevent family dysfunction and enhance individual/unit readiness. Project report is to be published in 3rd Qtr FY 86.

o. Dining Facility Surcharge (DALO).

(1) Issue. Dining facility surcharge is a hardship on junior enlisted soldiers and their families.

(2) Required Action.

DALO will develop a legislative initiative NLT 1 June 1985 to eliminate dining facility surcharge for family members of soldiers soldiers in grade of E-4 and below.

p. Abandoned Families (DAPE-HRP).

(1) Issue. Family members are deprived of entitlements as a result of soldier misconduct (abandoned families). The abandoned family is the situation in which the soldier is AWOL, in confinement, or has otherwise lost entitlements due to misconduct. The family is thereby deprived of entitlements such as transportation of household goods and, in some cases, Government quarters.

(2) Required Action.

(a) DAPE-HRP will initiate action with the Per Diem Committee NLT 1 June 1985 to allow a final transportation of family household goods and family members to home of record upon certification of loss of entitlements due to soldier misconduct.

(b) DACF will explore the treatment provided family members when sponsor is incarcerated and the family is no longer entitled to Army medical care. Provide recommendations to the GOSC scheduled for September 1985.

q. Variable Housing Allowance (DAPE-HRP).

(1) Issue. Variable Housing Allowance (VHA) does not cover the cost of housing in high cost areas creating hardship on soldiers and families not authorized on-post housing or for whom on-post housing is not available.

(2) Required Action.

DAPE-HRP will coordinate with the VHA Branch of the Per Diem Committee staff to insure valid survey techniques more accurately identify local median housing costs to allow the highest possible VHA to be paid members in high cost areas.

r. Food Stamp Eligibility (DAPE-HRP)

(1) Issue. All pay and allowances are included in gross income figures when determining food stamp program eligibility. E1 thru E3 required to live off-post and other enlisted ranks unable to live on-post are severely disadvantaged in terms of net dollars available for food buying. Government quarters occupants more easily meet eligibility criteria than those residing off-post.

(2) Required Action.

DAPE-HRP will study the food stamp eligibility criteria and make a proposal to the GOSC scheduled for September 1985.

s. Financial Support of Family (DACF).

(1) Issue. Servicemembers sometimes fail to support their families. The problem is especially severe among families whose sponsor is on an unaccompanied overseas tour. Extended time often lapses in trying to contact the servicemember overseas and/or enlist the help of the chain of command in assuring family support is provided.

(2) Required Action.

DACF will review applicable regulations and policies and recommend changes if required to support allowances to the spouse in the amount of the BAQ/VHA authorized to all soldiers. Recommendations should be completed and submitted to GOSC scheduled for September 1985.

t. Survivors' Assistance (DAPC and DAPE-CP).

(1) Issue. Survivor Assistance Officers/NCOs are often not equipped with the skills necessary to respond to all aspects of the duty. SAO/SANCOs are confronted with situations they may not be prepared for, resulting in personal embarrassment and,

possibly, embarrassment to the Army in a delicate situation. A pamphlet is generally made available which outlines duties, but does not teach skills.

(2) Required Action.

DAPC will:

(a) Review procedures for notification and assistance to families.

(b) Develop a program, to include training, that will prepare personnel to perform notification and assistance duties. Training modules should be appropriate for use by Army and civilian survivor assistance designees. The special needs of Army widows(ers) will be addressed as a part of the action. Provide milestones to DAPE-HRP NLT 1 May 1985.

u. State Residency Requirements (DACF and DAJA).

(1) Issue. Public social services are often not available for military families upon arrival at a new duty station because of state residency requirements. This poses especially critical problems for soldiers with exceptional family members who suffer major setbacks from extended interruptions in service.

(2) Required Action.

DACF will determine and define what the specific problems are, what specific issues have been raised, and whether the problems are of a local or national nature. As a minimum, social services, employment opportunities, and educational assistance/residency will be reviewed. DAJA will assist in drafting any required legislation. Plan of action will be determined NLT 1 October 1985.

v. Army Community Services (ACS) Quality of Staff (DACF and DAPE-CP).

(1) Issue. The quality of services provided by ACS at installations is adversely affected by staff recruitment, retention, and training problems.

(2) Required Action.

DACF will study the issue and develop a plan to implement the findings of the study. Milestones will be submitted to DAPE-HRP NLT 1 June 1985.

w. ACS Automated Data Base (DACF).

(1) Issue. Lack of automated data capability for installation Consumer Affairs, Information and Referral, Relocation, Exceptional Family Member, Family Member Employment, and Waiting Family Programs degrades the efforts to support soldiers and their families.

(2) Required Action.

DACF will develop a PDIP for FY 87-91 to fund an automated data system to link ACS Centers world-wide.

x. ACS Facilities (DACF).

(1) Issue. ACS Centers have, in many locations, not kept pace with facility upgrade efforts. This causes reduced usage due to poor location and unattractive buildings.

(2) Required Action.

DACF will conduct an Army-wide survey of ACS Center facilities and develop a plan to have them included in facility upgrade programs. Milestones will be submitted to DAPE-HRP NLT 1 June 1985.

y. Non-Command Sponsored Dependents (DACF).

(1) Issue. The presence of non-command sponsored dependents in overseas commands creates quality of life support requirements which the command is unable or unprepared to provide.

(2) Required Action.

DACF will study the problem and determine changes that may be needed in current programs and policies. Progress of the study will be briefed to the GOSC scheduled for September 1985.

z. Competitive Appointment (DAPE-CP).

(1) Issue. Executive order 12362 requires 24 months creditable service under an overseas local hire appointment to be eligible for non-competitive appointment to a competitive service position upon return to CONUS. Many family members are unable to fulfill this requirement during the sponsor's overseas tour. Twenty-four months appears to be an arbitrary service requirement.

(2) Required Action.

DAPE-CF will determine if the requirement should be changed and if a change is needed, take action to have appropriate policies changed.

Submit milestones to DAPE-HRP NLT 1 June 1985.

aa. Non-Appropriated Fund Instrumentality (NAFI) Reinstatement (DACF).

(1) Issue. NAF employment policy, as stated in AR 215-3, was amended to provide for reinstatement of former DA NAFI employees; however, reinstatement is limited to DA NAFI employees. Frequently, family members have been formerly employed by other DOD NAFI's, especially the Army/Air Force Exchange Service (AAFES).

(2) Required Action.

DACF will explore the possibility of extending NAFI reinstatement eligibility to former employees of other DOD component NAFI's, especially AAFES.

bb. DACF Staffing (DACF, DAPE-CP, DAEN, OCAR, NGB, DALO and DASG).

(1) Issue. The Community and Family Support Center is charged with developing policy and operating programs to support the total community. The staffing is presently limited to MWR, ACS, CDS, and dependent education.

(2) Required Action.

DACF will, in coordination with DAPE-CP, develop a staffing plan to provide expertise from all specialties that affect community and family support programs. Recommendations will be submitted to the GOSC scheduled for September 1985.

cc. Use of Morale Support Activity (MSA) Facilities (DACF, NGB, OCAR, and DAPE-CP).

(1) Issue. AR 215-2, Category III MSA patronage policy for Reserve Component and DOD APF and NAF civilians and their families, is overly restrictive.

(2) Required Action.

DACF will, in coordination with DAPE-CP, NGB, and OCAR study the MSA utilization policies and determine the need for changes that expand eligibility with approval of local commands.

dd. New CDS Staffing (DACF and DAPE-CP).

(1) Issue. Installations which have Child Care Centers in the FY 86-90 POM do not have a sufficient number of authorized manpower

spaces or appropriated fund resources to provide the required staffing for these new Child Care Centers.

(2) Required Action.

DACF will develop milestones to provide funds for the additional positions needed to support the new Child Development Centers NLT 1 March 1985.

ee. Availability of Child Care (DACF and DAPE-CP).

(1) Issue. Current child care center capacities are insufficient to support DA civilians. Circumstances restricting the availability of civilian child care for soldiers' families also apply to DA civilians assigned to that command; e.g., isolated area with few, if any, child care resources in the civilian community, high costs prohibitive to the lower Department of Army Civilian (DAC) grades, and so on (Issue 3-4j). Presently, military members are given highest priority in use of installation child care facilities. Having adequate child care resources available for all government employees, military and civilian, would promote efficiency and effectiveness of work performance, hence readiness.

(1) Required Action.

DACF-FSC will, in coordination with DAPE-CP, research the scope of the problem to determine needs and report results and recommendations to the GOSC scheduled for September 1985.

ff. RC Dependent ID Card (OCAR, NGB, and DACF).

(1) Issue. RC families are embarrassed and feel like second class citizens when required to show a "permission slip" and civilian ID when using benefits. Procedures degrade AC/RC bonding and the Army Family philosophy of community and partnership. The RC soldier must accompany RC family members to receive benefits.

(2) Required Action.

(a) OCAR, in coordination with NGB, will determine rationale, justification, impact, and use of ID cards for RC family members and provide a recommendation through DAPE-HRP to DACF NLT 1 April 1985.

(b) If required by recommendation in (a) above, DACF will develop procedures and policy for creation and issue of ID cards to RC family members NLT 1 July 1985.

gg. RC Information (SAPA, OCAR, and NGB).

(1) Issue. There is a lack of awareness and understanding of the RC family and their role in the Total Army Family. This lack inhibits the implementation of the Total Family concept.

(2) Required Action.

Develop and conduct an on-going Army-wide public information effort to inform all components of the importance of the RC family and its role in the Total Army. SAPA will assist OCAR and NGB in formulation and implementation of a public affairs strategy.

hh. Multiple Unit Training Assemblies (MUTA) for Families (OCAR, NGB, and DAMO).

(1) Issue. MUTA provide a viable mechanism for family-oriented activities to improve bonding, foster better understanding of unit/servicemember roles, and as a forum for information. Currently, no officially authorized time is available for family member involvement in pre-mobilization, retention, and readiness training.

(2) Required Action.

OCAR, with NGB assistance, will conduct a review of policies and constraints which restrict MUTA from being used for family oriented activities and provide recommendations for change to allow at least two family oriented activities each year. Recommendations will be presented to GOSC scheduled for September 1985 for approval.

ii. Active Guard Reserve (AGR) Housing (OCAR, NGB, and DAEN).

(1) Issue. Full-time manning and AGR personnel are frequently assigned to ARNG/USAR units that are located in high cost areas and/or isolated from military installations. Depending on the rank of the servicemember, such an assignment may create a financial hardship where the cost of housing exceeds BAQ/VHA authorized. Availability of housing would reduce financial hardships and thereby promote retention and readiness.

(2) Required Action.

NGB, with OCAR assistance, will conduct a review of policies and constraints impacting on providing Government housing for FTM and AGR personnel assigned to high cost or isolated areas and provide recommendations to the GOSC scheduled for September 1985. DAEN will continue to pursue domestic leasing program in high-cost areas.

jj. RC Commander Training (OCAR, NGB, and DAMO).

(1) Issue. The Army Family concept and support of families to promote retention and readiness is a change in thrust of actions for RC commanders. The unique requirements of the RC unit in implementing family programs needs to be addressed.

(2) Required Action.

OCAR, with NGB assistance, will develop a Commander's "How-To" handbook that is clear, understandable, and oriented to the RC family.

kk. First Term Family Initiatives (DACF, DAPE-MPA, and DAPC). (67)

(1) Issue. With 30% of the soldiers E-1 thru E-4 married, the first term soldiers and their families face special problems, particularly when living off-post away from Army support networks and facilities. There are no standardized Army-wide outreach programs (although many installations have excellent local programs). There is minimal Army policy addressing the needs of these families. While the focus of this issue is on first term soldiers, many actions will have a positive impact on career soldiers and their families.

(2) Required Action.

(a) DAPE-MP will determine the merits of eliminating unaccompanied short tours during the first year of marriage (to apply only when the soldier is notified of the impending tour after marriage).

(b) DAPC will determine whether paternity leave (up to 10 days) should be authorized (for servicemembers of all ranks). Staff proposed policy with major commands.

(c) DACF will develop an Outreach Program with standard components to be implemented Army-wide. A PDIP for FY 87-91 resources has been submitted. Components of the programs will include, but not be limited to, orientations for family members, unit leader training, family support groups, contact with unaccompanied families, and counseling, particularly first term soldiers and family members on Army policies, programs and entitlements. The needs of sole parent and dual military parents will be addressed. This program will foster a sense of partnership and belonging among first term soldiers and family members.

(d) DAPE-HRP will support an increase of Household Goods Weight Allowances for first term soldiers.

(e) DAPE-HRP will initiate actions required to fund transportation of first term families to the soldier's duty station.

(f) DACF will determine the need for sole parent and dual military parent support groups and effective parenting classes as a required part of the Family Advocacy Program Army-wide.

(g) DACF will study ways to foster partnership and sense of community among first term soldiers and families. Conduct on-site visits to the various "stops" in a first-term soldier's career (i.e., Recruiting Station, Basic Training/Advanced Individual Training First Duty Station). Determine whether commanders should be encouraged to include family members in reenlistment counseling. Review training currently conducted for first term soldiers which addresses benefits, entitlements and money management. Provide a milestone plan for accomplishing this by 1 May 1985. This initiative will consider RC as well as AC initiatives.

(h) DAPE-MPE will ensure that the Army Continuing Education System continues to support the needs of family members within the confines of public law:

1 Review support currently being provided.

2 Determine ways that basic job skills training or General Educational Development (GED) classes could be funded (i.e., wives' clubs, community organizations, Non-appropriated Funds).

3 Publicize findings regarding funding and programs.

4 Review the need for legislative changes and develop a plan for securing change if required.

11. Sexual Molestation (DACF).

(1) Issue. There is no institutional Army strategy to deal with problems of sexual molestation of children. This problem differs from child abuse (battering and neglect) and needs to be dealt with on a priority basis.

(2) Required Action.

(a) DACF will arrange for a national organization with a history and experience in addressing child sexual abuse to study the Army system and make recommendations for an institutional response to the problem. This organization should recommend medical, legal, law enforcement, and social services policies and procedures that effectively address the prevention, identification, reporting, and treatment of child sexual abuse. The treatment needs of the child/family as well as the program philosophy and recommended policy for dealing with the perpetrator must be considered. The organization's recommendations will be submitted by 15 October 1985.

(b) Each responsible office identified as having a role (DACF, DAPE-HRE, DASG-PSC, DAJA-ZA) will review the recommendations and assist in putting together an action plan that identifies a time frame for developing policies, procedures, and strategies for implementing the recommendations. The plan of action will be completed by 15 December 1985.

mm. GI Bill (DAPE-MPA).

(1) Issue. The current GI Bill is scheduled to expire in 1989. A "new" GI Bill will replace the benefits for Vietnam era veterans.

(2) Required Action.

DAPE-MPA will continue efforts to publicize the "new" GI Bill and procedures to convert from current GI bill.

nn. Claims (DAJA).

(1) Issue. The spouse is required to have a power of attorney to initiate a claim with a JAG office. This constrains spouses in their role as responsible adult family members.

(2) Required Action.

DAJA will conduct a review of policy and legal constraints which restrict non-military adult family members from initiating claims and provide a recommendation to the GOSC scheduled for September 1985.

oo. Family Safety (DAPE-HRS).

(1) Issue. Family safety initiatives are needed to minimize off-duty related accidents (i.e., motor vehicle, recreational, and home safety).

(2) Required Action.

(a) US Army Safety Center (USASC) will develop a plan of action and milestones to integrate family safety into the overall Army Safety Program. Milestones will be prepared NLT 1 June 1985.

(b) USASC will contract and/or develop family safety countermeasures for Army-wide use.

pp. Suicide Strategy (DAPE-HRL).

(1) Issue. There is a need to design a suicide prevention strategy for soldiers and family members of all components.

(2) Required Action.

DAPE-HRL will develop a suicide strategy for soldiers and family members of all Components NLT 1 July 1985.

qq. Distaff Project (DACF and DAPE-ZAF). (9)

(1) Issue. The Army and family members have a partnership. The role of the Army has been defined and has a plan of action to give the definition substance. The family member's role is not defined. Operationally, many family members are demonstrating their role in supporting soldiers and civilians and participating in building wholesome communities; however, the family role needs to be more fully defined, captured, and supported in offering guidance and greater uniformity.

(2) Required Action.

DACF will work with family member volunteers to assist in the design of a Distaff Development Project to more clearly define the role of the family member in their partnership role of supporting soldiers and civilians and participating in building a more wholesome community. As a minimum, the project will include assisting family members in establishing "How To" guidelines for organizing family member supported programs. Coordination will be made with the Family Liaison Office. The Distaff Development Project design will be completed NLT 1 June 1985.

rr. Family Life Centers (DACH).

(1) Issue. The Family Life Center concept has proven to be an effective model to assist families. While a plan exists to expand Family Life Centers, action depends on initiation of action by local commanders.

(2) Required Action.

DACH will:

(a) Develop a system to publicize procedures for establishing and expanding Family Life Centers.

(b) Assist Installation Commanders in the assessment of Family Life Center needs IAW DA Pam 570-551, Section XVI, Chaplain Staffing

Guide, Change II, dated 1 October 1982.

3-5. Medical

a. Medical Staff Shortages (DASG and DAPE-CP) (29)

(1) Issue. Family members experience long waits prior to treatment, including difficulty in reaching appointment desks and securing appointments.

(2) Required Action.

(a) DASG will resubmit PDIP for additional resources.

(b) DASG will, in conjunction with OSD, determine the most effective appointment procedures and standardize by FY 89. Current local initiatives to improve the appointment system will continue.

(c) DAPE-CP, in coordination with DASG, will examine how Emergency Essential civilian employees influence wartime staffing for OCONUS medical staffing.

b. Availability of Facilities (DASG). (30)

(1) Issue. Family members have expressed concern about the availability of medical facilities. Monies for construction and renovation of medical facilities are in budget.

(2) Required Action.

DASG will develop a marketing strategy to inform soldiers and families of construction plans. Provide a milestone list to DAPE-HRP NLT 31 March 1985.

c. Preventive Orientation (DASG). (31)

(1) Issue. A need exists for an improved prevention and treatment program.

(2) Required Action.

(a) DASG will publish a planning guide during FY 85 for setting up health fairs.

(b) A computerized communications network will be developed NLT FY 86 by DASG. It will link fitness facilitators at medical treatment facilities (MTF) and other physical fitness agencies.

d. Medical Staffing (DAPE-HR and DASG). (32) (55)

(1) Issue. Medical staffing is based on active duty end-strength. Retirees and family members receive medical care on a space available basis as required by law.

(2) Required Action.

DAPE-HR and DASG will jointly and aggressively pursue alternatives to the current medical system for the provision of health care for active duty family members, retirees, and members of the Reserve Components. Currently several tests are ongoing under auspicies of DASG. Findings and recommendations will be presented to the GOSC.

e. Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) (DASG). (41)

(1) Issue. Family members are concerned with the CHAMPUS costs and the civilian physician's willingness to accept CHAMPUS.

(2) Required Action.

(a) DASG will continue to support OSD in on-going efforts and initiatives to improve the program.

(b) DASG will develop and complete policies which require exclusive provider lists by 1 June 1985.

f. Family Medical Travel Costs (DAPE-HRP and DASG).

(1) Issue. Servicemembers assigned to remote locations with no military medical treatment available are not authorized reimbursement for costs of transporting family members to receive medical treatment.

(2) Required Action.

DAPE-HRP will determine need to change regulations or statutes to allow funding of family member medical travel costs and develop appropriate course of action. Proposed course of action will be briefed to GOSC for approval.

g. RC CHAMPUS at Mobilization (DASG, OCAR, and NGB).

(1) Issue. During mobilization, CHAMPUS services are only available to families of Reserves and National Guard after CHAMPUS authorization form is matched with DEERS. Reserves and National Guard are not now on Defense Eligibility Enrollment System (DEERS).

(2) Required Action.

DASG will:

(a) Support DOD in on-going efforts to explore the feasibility of the following:

1 Determine if legislation should be initiated to ensure that all facilities (civilian medical) will treat any family based upon an ID card and authorization form (DD 1172).

2 Explore feasibility of issuing CHAMPUS authorization card.

3 Determine feasibility of having a state-by-state listing of medical treatment facility or care providers which will accept CHAMPUS.

4 Study the possibility of having a CHAMPUS advisor available through a toll-free phone number.

(b) Take action to determine feasibility of establishing a RC DEERS.

(c) Present recommendations on above actions to GOSC scheduled for September 1985.

h. Contract Care Givers (DASG).

(1) Issue. Families perceive that they receive substandard medical care because of language/cultural differences between some contract care givers and patients.

(2) Required Action.

DASG is actively recruiting and training Army Medical Corps physicians. There are 5,000 plus physicians programmed in the system beginning FY 86. As medical requirements are filled by these physicians, contract physician spaces will be phased out.

i. Medical Charges-Civilians OCONUS (DASG and DAPE-CP).

(1) Issue. In foreign overseas areas, civilian employees and their family members must pay a high cost for most medical care.

(2) Required Action.

DAPE-CP will, in coordination with DASG, study the affect of this issue and determine if there is a need to realign medical costs with those paid by civilian health plans based upon reasonable charge schedules.

3-6. Education and Youth

a. Continuing Education for Spouses-GED and College (DAPE-MPE). (47)

(1) Issue. Insufficient opportunities exist for family members to participate in educational programs which support their educational goals and objectives.

(2) Required Action.

Based on the results of the pilot programs at Forts Lee and Monmouth, and the on-going OASD study, DAPE-MPE will develop, if required, a program to meet Army-wide needs and report to the GOSC scheduled for September 1985.

b. English-as-a-Second Language (DAPE-MPE). (48)

(1) Issue. To provide English language instruction for family members whose native language is other than English. Funds are not currently available for this purpose.

(2) Required Action.

Based on a definition of the scope of the problem by DACF, DAPE-MPE will determine the extent of the problem and its impact and develop a program, if required, through the Education Centers to provide low-cost alternatives with maximum use of existing programs in the civilian sector. Civilian family member needs OCONUS will be included in considerations. Provide milestones to DAPE-HRP NLT 1 May 1985.

c. Youth Activities (DACF). (49)

(1) Issue. The youth activities recreation program is not designed to provide the means to assist youth in overcoming the stress of frequent relocation, family separation, adjustment to new peer groups, and different cultures.

(2) Required Action.

DACF will:

(a) Complete a comprehensive study of the Youth Activities Programs in FY 85 and develop programs based on the results.

(b) Develop the staffing standards to enable youth activities to augment their staffs with professional counselors.

d. School Lunch Program-OCONUS (DACF). (60)

(1) Issue. The availability and quality of school lunch program in OCONUS areas is inadequate. While some progress has been made, additional action is required.

(2) Required Action.

A formal needs assessment is being conducted to update and validate the remaining student lunch needs and associated costs to upgrade cafeterias and food service operations at Department of Defense Dependent Schools (DODDS). OMA funding is currently programmed for FY 86-90 to adequately support this.

e. Department of Defense Dependent Schools (DODDS) Transfer to Department of Education (DOE) (DACF).

(1) Issue. DODDS is slated to become a part of DOE on 1 May 1986.

(2) Required Action.

A position of non-support for the transfer of the DODDS to the Department of Education has been transmitted to Congress. DACF-FS will monitor this issue and provide data as required to continue to oppose the transfer.

Chapter 4
Responsibilities

4-1. Steering Committee

A General Officer Steering Committee (GOSC) was established at HQDA. The committee meets semi-annually to review ongoing actions, approve the initiation of new actions, and provide direction for future initiatives within the Army Family Action Plan. The role of the committee is to ensure that family programs and the Army's obligation to families within each program are clearly defined and that family needs are prioritized to assist in directing efforts and securing resources.

4-2. Functional Managers

HQDA Functional Managers identified in Appendix B are responsible for programming family initiatives within their areas of proponency. Each Functional Manager is responsible for reviewing current programs to determine those initiatives and resources which are related to family programs.

4-3. Program Managers

Program Managers are responsible for coordinating and obtaining staff assistance on family related program initiatives with the Director, Human Resources Development (DHRD), Office of the Deputy Chief of Staff for Personnel (ODCSPER). Program Managers are responsible for their portion of program initiatives advocated by other staff agencies.

4-4. Deputy Chief of Staff for Personnel (DCSPER), HQDA

The DCSPER maintains an oversight/stewardship role and reports out on family action programs and initiatives. ODCSPER also assists each Army Staff office in identifying and supporting new family program initiatives.

a. The Family Liaison Office (FLO), reporting directly to the DCSPER, continues its role as independent advocate of Army families and serves as liaison to individuals, families, and family advocacy groups. The FLO--

(1) Assures continued direct communication between HQDA and family members and family advocacy groups.

(2) Serves as the central focus outside the Army for family programs.

(3) Provides assistance and guidance to the field in establishing liaison programs and linking the Army and Army families.

(4) Compares program trends to overall achievement of the "family and community" objective of the Human Goal.

(5) Maintains an overview of policy, program, and resource trends,

particularly system gaps and redundancies, in consultation with the Soldier and Family Policy Division and the Personnel Program Analysis Office.

(6) Serves as a member "EX OFFICIO" on the GOSC at HQDA.

(7) Establishes liaison with other Federal government agencies necessary for tracking programs that affect Army families.

b. Within ODCSPER, the Soldier and Family Policy Division is the focal point of Army family action policy and is the central agency at HQDA to oversee and focus attention on the program efforts. The Soldier and Family Policy Division:

(1) Maintains centralized oversight and monitorship of family policy and program efforts.

(2) Coordinates requirements for the GOSC and ensures that committee recommendations are considered and acted upon in a timely manner.

(3) Acts as the single point of contact to link centralized family programs and align them with the Human Goal objectives.

(4) Ensures that the objectives of the Human Goal are tied to the Army PPBES process by providing input on family issues in coordination with the Family Liaison Office to the Army Commanders Conference and to Volume I, Army Guidance.

(5) Provides program and planning guidance on new family initiatives and coordinates the development of HQDA PDIPs with functional proponents, and DA-directed PDIPs with MACOMS.

(6) Schedules and presents related PDIPs for program hearings and functional panels during the program prioritization process.

(7) Reviews MACOM Program Analysis and Resource Reviews (PARR) and commanders statements to identify family related programming efforts.

(8) Maintains close coordination with the FLO.

c. The Personnel Programs Analysis Office (DAPE-ZXP), in coordination with the Soldier and Family Policy Division:

(1) Develops a detailed inventory of current programs and their resources.

(2) Develops a standard classification system for Army family programs consistent with the Army resource management structure.

(3) Monitors program resources throughout the PPBES cycle.

(4) In coordination with the FLO and the Soldier and Family Policy

Division, measures programmed, budgeted, and executed resources to determine adequacy, efficiency, and cost effectiveness.

(5) Inventories, tracks, and assesses the amount of Army appropriated funds and Army non-appropriated funds distributed annually to Army family programs and to Army service agencies that have Army family members in their population base.

(6) In coordination with the FLO and the DHRD Soldier and Family Policy Division, identifies system gaps and/or redundancies.

d. The US Army Community and Family Support Center's (USACFSC) mission is to plan and develop policies and to operate systems and programs which meet the needs of Army families and community activities. It brings together community and family functions previously performed by TAGO, CIVPERCEN, MILPERCEN, and ODCSPER into a single organization. Its functional organizational elements include: family support, installation support, leisure sales and service, lodging and hospitality operations, Army recreation machines, nonappropriated fund personnel management, and community facilities construction. USACFSC--

(a) Develops, manages, and promotes Army programs and activities that provide support services to service members, their families, and the military community.

(b) Assesses the needs of Army-wide community and family support operations.

(c) Based on identified needs and general staff policy direction provided by ODCSPER, formulates policy, prepares resource documentation and coordinates staffing for community and family support issues.

(d) Identifies program requirements and deficiencies to develop resource needs as documented in PDIPs. Prepares PDIP documentation, justification, and rationale for USAFSC programs in conjunction with Soldier and Family Policy Division, ODCSPER.

(e) Serves as oversight office responsible for assessing and coordinating quality of life issues for the Total Army Community.

4-5. Major Commanders (MACOMs)

MACOMs will support family programs in the budget process. Guidance to MACOMs will be provided from the annual October Army Commanders Conference and from published Army guidance for programming, planning, and budgeting. MACOMs should use those documents as their basis for developing and programming efforts that focus on Army family action initiatives. MACOMs should use the PARR process to request resources in support of new initiatives and/or increased levels of support for their existing programs within the scope of annual Army guidance (Volumes I - IV), and Program Budget Guidance.

4-6. MACOMs and Installation Commanders

MACOM and Installation Commanders are encouraged to develop and implement a plan that will support the DA Family Action Plan and is tailored to their local needs.

Chapter 5
Resources

5-1. Purpose

The purpose of this chapter is to provide a system for monitoring ongoing and new program trends in resources connected with Army family initiatives and placed within the PPBES.

5-2. Human Goal

a. The basic management tool for the planning and programming necessary for success of Army family programs is the Human Goal. The Human Goal is based on the fact that the Army's strength lies in its people and the realization of their full potential. One crucial component is the objective of fostering wholesome lives for our families and communities.

b. The achievement of this portion of the Human Goal requires that our efforts be closely aligned with the program/budget process from the development phase through the budget execution phase.

c. Current and future programming efforts to foster Army families of excellence must be prepared, packaged, and monitored in a manner which clearly defines family program initiatives in terms of their relationship to the Human Goal, their importance in relation to other programs, and their effect on other Army priority requirements.

5-3. Oversight

a. Recognizing that annual program requests in support of families cut across several functional areas and are integrated within other Army goal efforts, there must be a central staff point that examines them and monitors resources with a single overall goal of analyzing, tracking, and determining their combined impact.

b. The Soldier and Family Policy Division of DHRD will monitor all MACOM PARR submissions. The ODCSPER Personnel Programs Analysis Office will monitor family-oriented resources across functional PDIP panels and throughout the PPBES system. The Personnel Program Analysis Office, will keep the DCSPER, Soldier and Family Policy Division, and FLO informed as to PDIP prioritizations. It will be the catalyst to insure DA staff proponents manage these PDIPS to maximize success of family programs in the POM process.

c. Specific guidance for planning, programming, and budgeting for community and family resources is found in VOL 1, Army Guidance (The Army Plan), the Family Action Plan itself, DA Pam 600-19 Quality of Life Minimum Standards, and in the Program Budget Guidance publications issued to all MACOMS, and DA Pam 690-37 Employee Services and Quality of Work-life.

d. MACOM PARR submissions should reflect the necessary resource requests to accomplish the objectives outlined in these source documents.

Chapter 6
Evaluation

6-1. General

Program development, research, analysis, and evaluation are integrated into the implementation of the Army Family Action Plan. This evaluation system is designed to measure the success of the individual initiatives, entire categories of issues, and the overall effect of the Family Action Plan on the Army. This evaluation would provide a continual program of monitorship and feedback to Army planners and programmers.

6-2. Objectives

The objectives of the evaluation program are to provide data with which to:

a. Model and forecast needs, requirements, and the best use of program resources.

b. Inform agencies on program strengths, needs, and weaknesses and means to make adjustments as necessary in a timely manner.

c. Critical parts of the evaluation program are in-process reviews (IPR) and the Family Action Plan General Officer Steering Committee (GOSC). These provide the proponent agencies with an opportunity to brief the current status of actions aimed at accomplishing the milestones for each initiative. The information flow as established in the original Family Action Plan remains active and a vital part of the entire effort. (See Figure A)

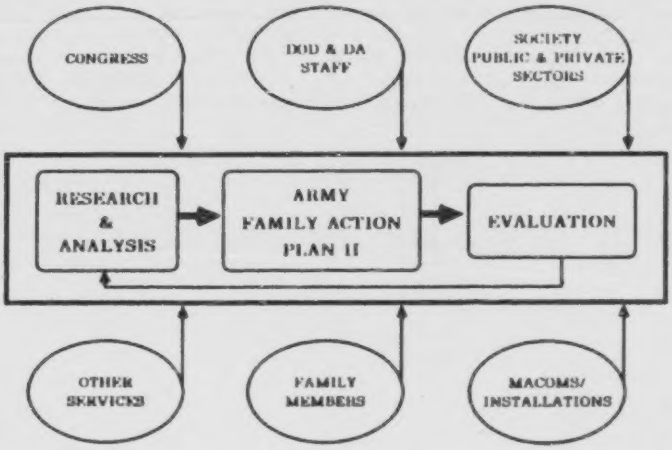

CONGRESS
DOD & DA STAFF
SOCIETY PUBLIC & PRIVATE SECTORS
RESEARCH & ANALYSIS
ARMY FAMILY ACTION PLAN II
EVALUATION
OTHER SERVICES
FAMILY MEMBERS
MACOMS/ INSTALLATIONS

FIGURE A

6-3. Evaluation Phases

The formal evaluation process has two primary phases. Each will be used for a distinct purpose.

(1) The first phase entails the collection of very basic objective data on each of the issues of the Plan. Proponents for each of the issues submitted specific objective measures to be used in tracking the performance of each initiative. This data will be used to establish a base-line from which we can then gauge the change or improvement in programs or policies. This data will be requested from each proponent annually.

(2) The second phase of the evaluation process will be comprised of efforts to tie or link the community and family programs and policies to the readiness and retention of soldiers. Individual and generic issues will be analyzed to determine the relationships that exist. This phase of the process is being done by contract study. The ultimate goal is to provide all program managers with a viable means of determining what effect a particular program or group of programs has on the retention and readiness of soldiers. The information gathered from this portion of the evaluation will be used extensively in the Department of the Army's budget formulation process to ensure community and family programs are recognized for the contribution they make.

(3) Each of the evaluation phases will be conducted simultaneously and the results briefed at the GOSC.

6-4. Other Evaluations

Other evaluations of existing programs may be performed by commanders at all levels of command. During 1st Quarter, FY 85, the Department of the Army Inspector General conducted a special inspection of the implementation of the Army Family Action Plan at selected locations in CONUS, USAREUR, and Korea. A follow-up inspection will be conducted during FY 86. Commanders are expected to use their command inspection programs and their local inspectors general to check for resources allocated, distributed and executed in support of family programs initiatives.

Chapter 7
Marketing and Communication Plan

7-1. Purpose

To outline the effective, aggressive marketing, selling, and public affairs strategy, objectives, policies, and responsibilities for the Army Family Action Plan II (AFAP II).

7-2. Objectives

a. Continue the marketing momentum gained in 1984 under the original AFAP and theme "The Army Family."

b. Provide a plan to disseminate the maximum information in a timely, accurate manner on AFAP II initiatives and efforts.

c. Initiate an active, short-range marketing program to provide the support and general information based on AFAP II necessary for fully incorporating the plan into the Army.

d. Conduct an active long-range marketing program to ensure continued understanding and support of the AFAP initiatives and goals.

e. Inform and elicit the active support of the following:

(1) The Total Army (active, reserve, guard, and civilian)

(2) Family members of the Total Army

(3) Army officer corps in general

(4) Senior active Army officers

(5) Senior NCO corps

(6) Junior NCO corps

(7) Junior enlisted

(8) Retired members and their families

(9) Congress

(10) The general public

(11) Members of professional organizations

f. Support implementation of AFAP II initiatives and actions.

7-3. Concept

a. Key to the marketing/selling concept is "What are we marketing or selling?" The answer should be a new benefit, a change in policy, etc., not "the plan."

b. Execution of plan will be in two phases:

(1) Phase I - Short-range. From pre-publication of AFAP II recommendations through CY 85.

(a) The short range marketing/selling effort will provide information now available on AFAP II and stress the Army's continued commitment to its family members. It will actively sell AFAP II in order to build the support necessary for the success of the plan.

(b) The primary effort will be directed toward internal audiences.

(2) Phase II - Long-range. October 1985 plus.

(a) The long-range marketing effort will include changes to announced decisions, schedules, and follow-on or related studies, explaining how they will be integrated into AFAP II and their impact on target audiences.

(b) Primary emphasis for the long-range effort will continue to be placed on internal audience.

c. The following guidance will apply throughout the execution of this plan.

(1) Timely releases and marketing efforts will be made as AFAP II actions are undertaken and implemented.

(2) Efforts will be directed primarily toward the target audience affected by the recommendation, but will include sufficient coverage of the entire concept to other audiences to eliminate misunderstanding and apprehension.

(3) Reaction to the news releases, interviews, etc. will be closely monitored to assess effectiveness of the marketing program.

(4) A broad range of media will be used to ensure the widest possible dissemination.

(5) Face-to-face communications will be used whenever possible.

(6) All news releases will be coordinated through the Office of the Deputy Chief of Staff for Personnel (ODCSPER) to the Office of the Chief of Public Affairs (OCPA).

7-4. Execution

a. The Community and Family Support Center will be the primary point of contact for all information on initiatives formulated in support of the Army Family Action Plan (I and II). These activities include but are not limited to:

(1) Interface with Soldier and Family Policy Division (DAPE-HRP).

(2) Building active support for AFAP II through aggressive use of all available means of communication, to include backchannel messages (where appropriate), Chief of Staff Weekly Summary, briefings, etc.

(3) Developing information campaigns to support specific themes encompassed by the Army Family Action Plan (such as Army Family Week) and coordinating these campaigns through the ODCSPER Public Affairs Officer and the Office of the Chief of Public Affairs (OCPA).

(4) Coordinating through ODCSPER Public Affairs Officer and the OCPA the use of public affairs channels to disseminate information. This includes print, electronic, and personal means encompassed by command information, public information, and community relations strategies.

(5) Monitoring the use and success of DA-disseminated information on family-related matters.

(6) Serving as an advisor concerning content and appearance of the FLO newsletter, "News for Army Families."

(7) The Soldier and Family Policy Division will also serve as the primary point of contact for and principal staff advisor on dissemination of information concerning family initiatives through administrative channels. This will include:

(a) Interface with the Family Liaison Office.

(b) Replicating messages sent through Public Affairs channels in administrative channels, doubling coverage with supportive, consistent information. Examples of outlets include: Daily Bulletins, TAGO Newsletter, and Message traffic.

(8) Establishing and monitoring the two-way flow of information among DA, MACOM, and installations.

(9) In coordination with the FLO, coordinating and dispatching briefing teams to disseminate information on family-related issues. Target audiences would include family advocacy groups, organizations, and associations which have strong military/family ties (Red Cross, AER, AUSA), Reserve Component Commanders, MACOMs, and others as necessary.

(10) Encouraging MACOMs and installations to develop and implement marketing and information programs specifically tailored to local needs.

(11) Ensuring that details of successful and unsuccessful programs are disseminated for adoption or discontinuance, as applicable.

b. Office of the Chief of Public Affairs (OCPA).

(1) Direct the internal and external information program.

(2) Coordinate and arrange for public announcements as appropriate.

(3) Arrange for publication and distribution of pertinent information through established Army command information channels.

(4) Provide public affairs technical and staff advice to the other staff agencies in the implementation of their plan.

c. The ODCSPER (DAPE-ZXA) will coordinate with the Soldier and Family Policy Division (DAPE-HRP) and the OCPA on actions relating to AFAP II.

d. The FLO will serve as intermediary and liaison with national and local family advocacy groups. As such, it serves as a vital link in the two-way flow of information from DA to advocacy groups, subject to provisions of AR 360-5. This office also is proponent for the quarterly newsletter, "News for Army Families", a valuable link of communication. The Newsletter will be prepared in coordination with the Soldier and Family Policy Division.

e. All family-related materials which have overall Army policy implications developed by, or received from any source will be routed through the Family Liaison Office and the Soldier and Family Policy Division for coordination. This will not only ensure that the Army "speaks with one voice" regarding family-related issues, but also both these key elements in the family programs will be able to keep current and will better be able to offer cogent guidance and recommendations both up and down the chain of command.

Chapter 8
Research

8-1. The Goal

The goal of the research plan is to review, consolidate, and initiate Army family research to provide for effective planning and programming in support of the philosophy of the Chief of Staff White Paper, the Army Family Action Plan, and readiness.

8-2. Objectives

a. Provide demographic data on Army families.

b. Describe relationships between retention and family factors.

c. Describe relationships between readiness and family factors.

d. Determine how to foster a sense of community and partnership.

e. Determine the best ways to promote family wellness.

8-3. Information Requirements

The major questions to be answered in support of each objective are identified and described in the following paragraphs:

a. OBJECTIVE ONE: Provide Demographic and Related Data on Army Families:

(1) Demographic data gathering and analysis is an important part of the family research plan. Demographics can aid users at all levels in making decisions about how resources and efforts can be most effectively targeted. Used alone or in conjunction with past data, they can provide present and/or future trends and an assessment of how certain groups of people (such as male, female married, career, senior enlisted with family members) feel about various issues or attitudinal questions.

(2) The Community and Family Support Center will develop a data base consisting of consolidated data, correlations, percentages, and trends relating to family demographics.

b. OBJECTIVE TWO: Describe Relationships Between Retention and Family Factors:

The relationship between families and retention is uncertain. Because the number of married soldiers has increased in recent years, it appears that family satisfaction affects the soldier's decision to stay in the Active Army, Army National Guard, and US Army Reserve. Questions to be answered include the following:

(a) Where are the Army's greatest retention problems? Where will they be in 1990?

(b) Why do soldiers and families say they would leave the Army? When and how is that decision made?

(c) What are the characteristics of soldiers and families that leave? Those that stay?

(d) What are family procedures and policies which are associated with high retention?

(e) What Army family services and programs are most critical to retention?

(f) What is the range of family related policy changes and programs which would be most instrumental in improving retention?

c. OBJECTIVE THREE: Describe the Relationship between Total Army Readiness and Family Factors:

(1) In theory, well families should help to create well soldiers. Command and supervisory experiences reinforce the fact that family problems detract from a soldier's or employee's ability to perform either in terms of absenteeism (for counseling, to take family to the hospital, or court appearances) or distraction while on duty (thinking about family problems).

(2) Although this relationship between family wellness and soldier performance is recognized, quantification of that relationship in order to know where to allocate resources and where to intervene is lacking.

(3) Questions to be answered include:

(a) What family factors may be related to soldier and civilian performance, whether on the installation, in the field, or deployed?

(b) How do these factors show up in soldier performance?

(c) What are family needs during deployment?

(d) What are the family services, programs, and policies which contribute most to readiness? What is missing?

d. OBJECTIVE FOUR: Determine How to Better Foster Partnership and Sense of Community:

The terms partnership and sense of community are difficult to measure and quantify. What do these things "look like" on an Army installation and RC organizations? What should they look like? How can we make them happen? The following questions need to be answered.

(a) What are the special needs and characteristics of military units and communities, reserve components, the civilian component, retirees, widows, widowers?

(b) What are the command practices and policies that contribute to sense of community? Which ones inhibit?

(c) What is the optimum family-unit-soldier tie and how is it achieved?

(d) What is the impact of home basing and the New Manning System on the Army family?

(e) What are the best approaches to building family commitment to the Army mission?

(f) What Army family services and programs contribute the most to sense of community?

e. OBJECTIVE FIVE: Determine Ways to Promote Family Wellness:

The unique needs, stresses, and resources of Army families have been recognized in research. Many Army family programs are designed to resolve problems. The White Paper shifts the emphasis to one of wellness, which implies prevention and building of family strength. Thus, a challenge is definition. What is wellness and how do we get there? Specific questions to be answered include:

(a) What are the stressors for families; how do families handle them?

(b) What is the operational definition of wellness for the Total Army?

(c) What are the special needs of the Army family?

(d) What are the special needs and characteristics of the first termer and young soldier's family, careerists, reserve components, civilian component, retirees, and widows?

(e) What are some strategies from the private sector which could be adapted or adopted?

8-4. Consolidation of Existing Information

a. Many of the existing data bases, surveys, studies, and research projects which support the information described above have been identified. The research programs of the Army Research Institute (ARI) and Walter Reed Institute of Research support the overall objectives of the Research Plan.

b. All family related research will be coordinated with the Army Community and Family Support Center in order to avoid duplication and to ensure that MACOM Commanders are aware of all data sources which may assist in planning.

8-5. Information Gathering Process

a. In consonance with the evaluation plan, the research effort is open ended and flexible enough to capture future trends and emerging family needs. These emerging needs will be identified through the information gathering processes such as the The Military Family Resource Center, and reviews of family related data. As stated in the Evaluation Section, the issue proponents will periodically be tasked to provide data on policy and issue performance and also such subjects as readiness, health, volunteer rates, retention, and ongoing local programs. Finally, relationships with military family advocacy groups will be expanded to provide for ongoing identification of problem areas and issues.

b. Part of the research effort must be devoted to exploring those civilian programs and establishing relationships with counterparts in the Department of Health and Human Services and other civilian agencies to continuously identify model programs and future trends.

c. Whenever possible and feasible, research efforts will be coordinated with the ODCSPER Civilian Personnel Directorate. This will ensure the research realized the full potential of providing information on all Army families.

8-6. Analysis

Analysis is an important part of the research plan which will link research to implementation. The data collected from new and existing studies will be analyzed to develop possible alternatives or recommendations. The first tasks of analysis will be to determine what data are relevant to solving specific problems (for example, how to increase the number of ACS volunteers) and to categorize the source of the data. Was the data collected through regulations, reports, or interviews and are the data documented, and factual? Lastly, the data will be examined to determine trends, statistics, facts, relationships, projections, and conclusions relevant to the problem. Analysis will lead to the development of alternatives or recommendations from which decisions-makers may choose pilot programs or make policy changes.

8-7. Implementation

The implementation of major future initiatives must recognize that because the family's participation in the Army community is voluntary, programs will have to be tailored to meet the needs and personalities of individual units and installations. Therefore, although there will be programs and policies required by Department of the Army, there are those which will be optional. Individual initiatives arising from solving needs peculiar to the installation or unit are encouraged.

Chapter 9
Criteria for Future Initiatives

9-1. General

Future actions, programs, and initiatives to support the Army family will be judged through commitment and action such as expressed below.

9-2. Commitment

The philosophy expressed in the words partnership, wellness, and sense of community represent a major and renewed commitment to the Army family. This commitment must be reinforced through programs and policies that are specifically designed to help the Army and its families make the transition from now to the 1990s. No longer are policy and program changes which cure the symptoms of past problems sufficient. The piecemeal approach described in the White Paper must be abandoned.

9-3. Current Family Programs

Army family programs are an inherent part of the Human Goal - "the building of wholesome families and communities." They are not just programs that are nice to do. They play a big part in creating and maintaining an Army of Excellence. This must be considered in resourcing requests.

9-4. Future Family Programs

Future family programs and program developments need to include a clear policy definition which states the Army's objectives (commitments) and provides program limits. These programs should be designed for specific target audiences and tied to specific desired outcomes (e.g., promote retention, provide incentive to reenlist, promote sense of community), and pertain to more than one MACOM.

9-5. Army Funded Programs

Army-funded programs are not the only way to realize partnership, wellness, and sense of community. Individual citizens and grass roots organizations are proving as effective and sometimes more effective in meeting human needs and in piloting innovative programs, than institutionalized programs. Therefore, in designing past initiatives some program proponents were asked to look for low or minimal cost volunteer-intensive alternatives to expressed problems.

9-6. Involvement of the Unit and the Family

Partnership, wellness, and sense of community are best initiated and fostered at the unit level. It is that level where the soldier, the civilian, and families interact and identify with the Army. This is becoming even more of a fact with the New Manning System. We need policies and procedures that will help bond the unit and the family.

9-7. Use of Volunteers

The Army philosophy on the use of volunteers has not kept pace with the changing Army. While the need for a better trained and educated volunteer is increasing, the demographic trends indicate a declining pool of traditional volunteers due largely to the increased number of employed spouses. We must more effectively and creatively recruit, train, and retain volunteers from both traditional and nontraditional sources. It is immediately evident, however, that for any effective increase in the numbers of our volunteers, we must progress beyond the current stilted view of the "candy striper" or the lending closet. Existing structures for volunteers should also be supplemented by volunteers who are officially recognized as connected to Army units. These structures must also be examined to ensure that they provide a variety of professional volunteer opportunities and allow working spouses, employees, soldiers, teens, and the retired the chance to volunteer. Recognition of volunteer talents and capabilities by involving them in roles of increased responsibility would provide additional solutions to the multitude of problems encountered as the Army transitions into changing missions.

9-8. Involvement of Family Members in Future Initiatives

Inclusion of family members in the planning, developing, implementation, and evaluation stages of any future initiative is an inherent part of this type of partnership. Local/regional seminars must continue as the primary means to participate in the identification of needs and refinement of family initiatives. As a minimum, every family member should have the opportunity to participate in a local seminar. While a national level seminar will not be held in 1985, the Annual Family Action Plan Planning Conference will continue at HQDA with family member involvement.

9-9. Readiness of Soldiers

The readiness of soldiers is the basic criteria for any initiatives included in this plan. The planning, programming, and policy development of any initiatives will be done by the ODCSPER staff at HQDA and/or at the Community and Family Support Center. The DCSPER retains final approval authority on what programs and policies are continued or approved.

Chapter 10
Non-Appropriated Fund (NAF) Support

10-1. Background

Community and family support programs have historically been under- resourced. The execution of programs like those included in the Army Family Action Plan has generally been accomplished through use of minimal appropriated fund (APF) dollars and major volunteer efforts. Fiscal Year 86 will mark the beginning of more adequate, although still insufficient, appropriated fund resourcing for our community and family support programs. An important additive to appropriated fund and volunteer support for these programs is the application of NAF dollars. NAF money is soldier money as differentiated from APF which is tax money. NAF money has always been used to support soldier needs, however recent and projected future growth in the amounts of NAF money available has greatly increased our capability to support community and family programs.

10-2. U.S. Army Community and Family Support Center (USACFSC)

The mission of the U.S. Army Community and Family Support Center is to plan and develop policies and operate systems and programs which meet the needs of Army families and community activities. In this context the Center is responsible for the coordinated execution of community and family support programs. From the APF perspective this is a true coordinating and integrating role, however on the NAF side the Center has sole responsibility. Nowhere is the NAF growth more dramatic than in the NAF construction programs for FY 85 and FY 86.

NO	FY 85 FACILITY	$O.M	RANKING	NO	FY 86 FACILITY	$O.M
15	Bowling Ctrs	26.6	1	20	Bowling Ctrs	33.1
12	Clubs	18.3	2	14	Guest Houses	27.6
4	Guest Houses	7.4	3	10	Youth Centers	13.7
5	Youth Ctrs	6.1	4	8	Clubs	19.1
36		58.4	TOTAL	52		93.5

Almost all NAF construction projects benefit military families as contributions to quality of life. Over 60% of the NAF construction for FY 85 and FY 86 went to the programs/facilities most in demand: bowling, clubs, youth centers, and guest houses. Bowling is on top as the major revenue producer to support other MWR programs and guest houses and youth centers have risen dramatically displacing clubs. Youth centers and guest houses are the most direct benefit to Army families. These programs rose as the result of Year of the Family initiatives and can be expected to continue. A similar rise occurred in child development centers in the MCA construction program.

10-3. Funding

Providing community and family support/MWR programs and facilities attuned to the needs of resident and off-post families requires the judicious, yet creative, use of appropriated and non-appropriated funds. The source of funding support is not always clear; however, the following table is useful for two reasons. First, the list provides a comprehensive recapitulation of MWR programs expected to be in place at most locations, and, secondly, it identifies them by generally accepted funding source. The table will assist locating the responsible agency or office.

PREDOMINANTLY APF SUPPORTED

ALL CRAFTS SHOPS
MUSIC AND THEATRE
LIBRARIES
SPORTS AND PHYSICAL ACTIVITIES

PREDOMINANTLY NAF SUPPORTED

MARINAS AND YACHT CLUBS
BOWLING CENTERS
RIDING CLUBS
FLYING CLUBS
SPORTS PARACHUTE CLUBS
PRO SHOPS
OFFICER, NCO/ENLISTED AND COMMUNITY CLUBS
SKI SLOPES
SKATING RINKS
ROD AND GUN CLUBS

GENERALLY COMBINED FUNDING

OUTDOOR RECREATION
GOLF COURSES
INFORMATION, TOUR AND TRAVEL

10-4. Initiatives

a. Several bold initiatives punctuate the NAF contribution to community and family support. These exploratory projects are currently in various phases of being tested or developed. USACFSC has initiated a project to establish commercial "name brand" hotels on Army installations. Utilizing private sector financing, the 120-200 room hotels will supplement current Army guest houses and satisfy additional PCS, transient and guest installation requirements. The project will also consider co-location of restaurant and fitness facilities with the hotels. A consultant contract was awarded on 22 Feb 85 to perform a market analysis of 16 CONUS installations and to develop a statement of work for competitive bid by the hotel industry. Following site selection by the Army MWR Review Committee, the contract to the hotel industry will be awarded by Sep 85 with openings approximately one year later.

b. USACFSC developed an initiative to introduce "name brand" fast food on Army installations for the convenience of soldiers and families and to also improve the quality and variety of available food outlets. This initiative responds to soldier and family desires and will contribute significant income to local MWR programs in support of soldiers and families. AAFES, as the Army's executive agent, signed a contract with Burger King in May 84 for approximately 100 outlets over the next five (5) years. Limited testing for pizza and chicken "name brand" chains will occur in FY 85. Burger King is expected to generate $20M for local MWR programs following the five (5) year implementation plan.

c. The Army needs to change the image of Army club facilities by making them more supportive of family life and reacting to trends in the civilian sector for health clubs and fitness facilities. This initiative supports the Army's commitment to physical fitness and well-being for soldiers and their families by establishing family community centers on installations. Supporting components will include dining, fitness centers, and child care. Implementation of family community centers with the hotel initiative will be coordinated through a market analysis for the first 16 locations in Feb - Mar 85.

APPENDIX A

ARMY FAMILY ACTION PLAN UPDATE

1. In preparation for the Annual Army Family Action Plan Planning Conference an update of each issue in the 8 January 1984 Army Family Action Plan was published. To facilitate the transition to the Army Family Action Plan II, this appendix contains an entire update. The issues are numbered using the original issue number. For those issues continued in Army Family Action Plan II, the new issue number in parentheses.

2. Updated Issues: (as of 14 Feb 1985):

Issue #1 Overseas Orientations (Issue 3-3a)

Overseas orientations are currently not being conducted at all or, at best, meet only the bare minimum requirements. Policy guidance for conducting orientations at the installation/community level is being formulated by HQDA program proponents. Orientation video tapes on major overseas areas are being produced, with work to begin in USAREUR in February 1985. DA Pamphlet 608-37, "Going Overseas" will be expanded and updated by January 1986. Community and Family Support Center will coordinate this issue with MILPERCEN. Employment information sheets have been developed and distributed to all Army civilian personnel offices to assist in counseling family members.

Issue #2 Claims Payment Process

Army Regulation 210-7 is being changed to allow a local commander to authorize the placement of supplemental insurance information in transportation offices.

Issue #3 Spouses Signing for Quarters

Chapter 3, AR 210-50, Family Housing Management has been revised and now includes provisions for commanders to allow spouses to sign for quarters. The estimated date of publication is April 85. This issue is resolved.

Issue #4 Design of Family Quarters

The Army policy has been changed to include the requirement to invite family members to participate in design panels. A message has been sent to the field with this information. The Office of the Chief of Engineers has expanded participation to all aspects of housing management, e.g., project prioritization, housing office renovations and operations, and customer feedback.

Issue #5 Quarters Termination

Chapter 3, AR 210-50, Family Housing Management has been revised and now includes requirement for installation commanders to make quarters contract cleaning an alternative for cleaning quarters. Estimated date of publication is April 85.

Issue #6 Space Available Dental Care

An amendment contained in the FY 85 Defense Authorization Bill authorizing world-wide space available dental care for military family members was approved. The effective date of this legislation is 1 July 1985.

Issue #7 Self-Help

A new Army Self-Help Program Pamphlet is to be published in June 1985. This pamphlet will incorporate new Defense Department guidance in a revised Army policy on self-help. The major theme will be "occupant incentives." One example is the possibility of reimbursement to occupants who perform self-help work.

Issue #8 Family Housing Standards

A review of family housing adequacy standards revealed that current criteria for new construction is adequate. Existing substandard units are being upgraded to adequate standards.

Issue #9 Family Member Representation (Issue 3-5qq)

A DA pamphlet containing guidelines for establishing family support groups is being written. This document will be published by 4th Quarter FY 85. Also, as stated in Issue #12 (AFAP), a comprehensive Army regulation stating policies for volunteerism in general will be published in 4th Quarter FY 85 and will further delineate family member representation at installation activities.

Issue #10 List of Benefits (Issue 3-4b)

An extensive publicity campaign is being conducted to inform soldiers and family members of benefits and actions ongoing to support community and family programs.

Issue #11 Volunteer Experience

Guidance concerning the crediting of volunteer experience was issued to Civilian Personnel offices in October 1983. The Civilian Personnel Center has developed self help guidance to assist family members in presenting volunteer experience on applications. This guidance was published in abbreviated form in July 1984 issue of News for Army Families and will also be published as part of an Army pamphlet series developed by DAAG-PS, entitled "Merchandising Your Volunteer Experience for Job Credit."

Issue #12 Remuneration of Volunteers (Issue 3-4c)

Research on funding for this issue is ongoing. Further guidance will be published in a new regulation on Volunteerism and in the revision of DA PAM 608-28. Expected publication date is the 4th Quarter FY 85.

Issue #13 Career Intern Program

Intern positions OCONUS are now open to non-status family members. Revisions to the appropriate regulations are being made.

Issue #14 Family Member Career Development

The Army has successfully implemented Executive Order 12362, which facilitates placement of eligible family members who worked overseas in competitive positions in the US. The Army made 1338 noncompetitive Executive Order appointments as of 31 December 1984 and has consistently exceeded the placements of all other Federal agencies.

A test Priority Placement Program was initiated in September 83 to assist family members accompanying sponsors on CONUS to CONUS PCSs. As of 31 Oct 1984 there were 239 placements with a placement success rate of 72 percent.

Issue #15 Availability of Army Jobs - Especially OCONUS

Employment information for all Army installations, CONUS and OCONUS, has been developed and distributed to all CPO's so interested applicants can receive job information before changing duty locations. Distribution also includes reference sets for Army Community Service to use in their relocation services to family members.

Issue #16 Job Sharing

A study of part-time employment was completed in December 1983. Guidance has been issued to the field to improve the program. The Army has exceeded the part-time goal during the last two reporting periods. The field will continue to be encouraged to foster part-time and job sharing opportunities.

Issue #17 Impact on Service Members Assignment-Employment Information and Referral Service. (Issue 3-3b)

A centralized employment information system is being phased in at installations. HQDA issued guidance on establishing One-Stop Employment Information Centers in July 84. Centers exist at eleven installations and twenty-three more are in the planning stages. These are joint ACS/CPO efforts. ACS resources have been programmed in the 1986-90 budget for full development of the program at 104 sites. Monies are targeted for individualized job search assistance and employment counseling. A CIVPERCEN study to review the operation of family member assistance programs in the Army and assess their effectiveness was conducted in the 1st Quarter FY 85. A final report will be ready NLT 1 June 1985.

Issue #18 Training for Chain of Command

Training materials on family awareness have been developed for professional development courses from PLDC to CGSC. Train the trainer sessions have been held for all courses. Instruction began on 1 Oct 84.

Issue #19 Training for Army Life

Training materials are being developed for family members and service members on Army service and lifestyle. One 20 minute video presentation has been completed and distribution was made to the field in November 1984. The film is entitled "The Army Family, A Partnership". A pamphlet is also being developed to be used with this video and will be ready for distribution by 3rd Quarter FY85. A second film is being produced and should be in distribution by 3rd Quarter FY85.

Issue #20 Privacy Act for Bulk Mail

Guidance has been given to the field on using mailing lists. This issue is resolved.

Issue #21 Family Members are not aware of financial assistance for education.

The DA Pam 352-2 dated August 84 has been published. The initial pinpoint distribution is underway. This publication will clarify the procedures for obtaining financial assistance for education.

Issue #22 Quality of DODDS Program

New staffing criteria has been implemented for DODDS for school year 1984-85. An increase of fifty-five teachers will result.

Issue #23 Student Travel

Legislation authorizing student travel was approved in November 1983. A supplemental request for an increased spending level from $2.3 million to $4.4 million (Army portion of the ceiling increase was from $853 thousand to $1.9 million) was passed by Congress on 10 August 84. Although Congress passed the supplemental, they eliminated authority to pay for travel of military dependents in CONUS after 31 August 1984.

Issue #24 Part-time and Summer Employment for Youth

A HQDA study has found the part-time employment goal reasonable and attainable. Employment activities have been advised of the study findings.

Issue #25 High Quality - Standard DODDS Curriculum

Three booklets have been published detailing the results of a study on DODDS. The findings of the study have been publicized. This issue is resolved.

Issue #26 New Manning System Family Support

A draft plan for support systems for New Manning System families has been completed. Expected publication date is 2nd Quarter FY85. A support plan concentrating on COHORT battalions has also been prepared and is currently being staffed.

Issue #27 Safety (Issue 3-4oo)

A family safety survey is being conducted at three representative Army installations to evaluate, review, and recommend specific countermeasure programs, as well as implementation and control procedures. A final written report is scheduled for 5 February 1985.

Issue #28 HOMES (3-4d)

The deployment of module 1 (Assignments and Terminations) of the HOMES began in CONUS and Hawaii in FY 84 and will begin overseas in FY 86. All other modules will be deployed in CONUS and OCONUS in FY 86. Completion of all deployments is scheduled for FY 88.

Issue #29 Family Members Experience Long Waits In Reaching Medical Treatmentt Facilities. (Issue 3-5a)

Resources were requested for FY 86-90 which would provide additional support personnel in MTF's. This PDIP was disapproved and will be submitted during the next budget cycle.

Issue #30 Insufficient/Inadequate Medical Facilities (Issue 3-5b)

The 1986 thru 1990 budget requests include $904 million for construction and renovation of medical facilities. Improvements will be publicized.

Issue #31 Improve Prevention and Education Programs For Family Members. (Issue 3-5c)

Health and Fitness Advisory Teams/Fitness Facilitators have been established at each MEDCEN/MTF. A directory of Health and Fitness Education Resources was published and distributed during FY 84. A computerized communication network will be developed by FY 86. A 75 page planning guide for setting up health fairs is in the final stages of publication and is scheduled for completion in FY 85. This guide will be distributed with the Family Fitness Handbook in FY 85.

Issue #32 Family Practice (Issue 3-5d)

Resources were requested for additional health care providers. The PDIP was disapproved. However, some improvements will be felt as Family Practice end strength increases from 204 to 260 by 1989. A satellite clinic concept will be tested in the Washington, DC area during FY 85. The results of this test may influence the direction of ambulatory patient care.

Issue #33 Quarters Maintenance (Issue 3-4e)

New maintenance standards are being developed. Guidance will be distributed to the field NLT 1 April 1985.

Issue #34 Child Development Services-Facilities Design and Safety

Most installations have completed upgrade of substandard facilities. Congress has authorized the construction of seven MCA child care projects on Army installations during FY 85. The FY 86-90 budget request includes money for construction of 184 child care facilities. Standard facility designs are under development.

Issue #35 Child Development Services-Quality of Staff (Issue 3-4f)

Model job descriptions for Child Development Services (CDS) management personnel were completed in January 1984. Updated versions are due for publication in February 1985. Standard job descriptions for direct services positions are due for publication in 2nd Quarter FY 85. Training packets were distributed to the field in June 1984. A CPO Child Care Personnel Study was conducted during 4th Quarter FY 84. The final study report will be issued during 3rd Qtr FY 85. An action plan will be developed to implement the recommendations for upgrading the quality of staff.

Issue #36 Child Development Services-Standards of Care

The Developmental Assessment Tool will be in use at all installations by 4th Quarter FY 85 to assure compliance with Army standards. Action plans for implementation of operational guidance and monitoring initiatives to support quality child care have been developed in response to a tasking by ASA (M&RA).

Issue #37 Family Advocacy (Issue 3-4g)

Briefing materials for commanders are under development and will be distributed by 3rd Quarter FY 85. A technical training course for Family Advocacy staff is being developed by US Army Health Services Command Academy of Health Sciences. A curriculum for child care and youth activities staff is also being developed. The scheduled completion of this effort is 2nd Quarter FY 85.

Issue #38 Alcohol and Drug Abuse (Issue 3-4h)

ADAPCP family counseling courses will be reviewed with Health Services Command and USAREUR training components in Feb. 85 to insure course compatibility. The ADAPCP family services newsletter will be distributed to the field in March 85.

Issue #39 Exceptional Family Member Program (Issue 304i)

HQDA letters have been published which revise MTF procedures and state program policy. A capstone regulation is scheduled for publication during 3rd Quarter FY 85. The number of enrollees has increased for 3000 to 3800 since new enrollment procedures were published. Coverage of DA civilian family members in this program is included in revised AR 690-3000, targeted for publication in 2nd Quarter FY 85.

Issue #40 Sponsorship (Issue 3-3c)

The Army regulation on sponsorship has been rewritten. A DA Pam has also been developed. Target date for distribution of these publications is April 85. These directives greatly expand the sponsorship activity and target population to include civilian employees.

Issue #41 CHAMPUS (Issue 3-5e)

The DASG is continuing to assist USAD (HA) in on-going efforts and initiatives to improve the program, (e.g., CHAMPUS Dental/Eye Care) benefits expansion and monitoring of uniform claims initiatives.

Issue #42 Transportation to On-Post Facilities

Analysis of problem has revealed no Army-wide mass transportation requirement. Guidance has been provided to installations to resolve local problems.

Issue #43 Power of Attorney

Research has determined no power of attorney is required for picking up mail. The part of this issue dealing with signing for household goods has been studied and a change is being worked to allow a rapid authorization of receipt and shipment of household goods by the spouse of the military member. A message has been sent to the field advising units of the mail pick-up ruling.

Issue #44 Total Integration of DA Civilian Family Members (3-4j)

This issue has being studied and based upon field input, five significant initiatives in support of civilian and their family members have been identified for further action.

Issue #45 Parental Kidnapping (Issue 3-4k)

Two Army staff studies have been completed on this issue. A specific policy is being developed and will be published in AR 600-40 and AR 608-99.

Issue #46 Family Support Mobilization (Issue 3-41)

The OCAR has established a task force to coordinate and staff USAR Family Support Issues as part of the Total Army Family Action Plan. This issue remains only partially resolved. The Army Plan 87-01 tasks NGB to support RC Family Support Services. Issues involving federal status of NGB personnel to perform Total Army requirements in a partial mobilization are in question. Resource requirements for the mission are not yet resolved and interim solutions for FY 86 remain unfulfilled.

State National Guard points of contact have been identified. The National Guard Family Program pamphlet is being written and staffed. A PDIP has been initiated to staff the Family Support Program at state level. Further guidelines are being developed.

A handbook is being developed to assist families of overseas civilians who are designated as emergency-essential and who may be required to remain in the overseas area in the event of hostilities. Target date for staffing with the field is 3nd Quarter FY 85.

The Soldier Support Center has developed doctrine for family support during protracted deployments and contingencies. This has been submitted for inclusion in FM 101-5.

Issue #47 Continuing Education for Spouses (Issue 3-6a)

A Pilot Program is continuing at Forts Lee and Monmouth. Results of the study are due in the 2nd Quarter of FY 85.

Issue #48 English-as-a-Second Language (Issue 3-6b)

A PDIP submitted for the FY 86-90 program was not funded. A proposal is currently being studies to combine soldier and family ESL into one program.

Issue #49 Youth Activities Recreation Program (Issue 3-6c)

A survey of Morale, Welfare, and Recreation Activities was completed in November 84. The initial results of this survey have been provided to the field. A final Army-wide report will be available by May 85. A comprehensive study of the Youth Activities Programs will be conducted during FY 85/86.

Issue #50 Household Goods Weight Allowances (Issue 3-6d)

Increased household goods weight allowances are included in the FY 86 legislative contingency fund items. Services are costing a recent OSD household goods proposal which raises the ceiling limit to 18,000 pounds and provides up to 5,000 pounds for junior enlisted personnel.

Issue #51 House Hunting Compensation (Issue 3-3e)

Legislation will be initiated in FY 85 which would authorize travel and per diem for up to 7 days for members and spouses to locate suitable housing at the new duty station.

Issue #52 Availability of Family Housing

The worldwide family housing deficit for E-4 and above families will be eliminated by FY 90 through a combination of new construction, leasing and rental guarantee housing. Also, the Army is developing a program to provide an increased number of parking sites for soldier owned mobile homes on selected installations. This will allow another housing alternative and an opportunity to build equity via homeownership. OSD recently allowed programming for E-1 thru E-3 families. It is estimated that the deficit for these families is 10,800 units.

Issue #53 Reimbursement for Real Estate (Issue 3-3f)

Legislation will be initiated in FY 85 by the Compensation and Entitlements Division of ODCSPER which will authorize reimbursement for some of the expenses incurred in selling and buying a home incident to PCS.

Issue #54 Capital Gains Protection

The President signed Public Law 98-369 on 18 July 84 which provides an extension of the roll-over period of proceeds from the sale of a primary residence until 8 years to protect those assigned overseas and/or government quarters after the sale.

Issue #55 Dental CHAMPUS (Issue 3-5d)

DOD has drafted a legislative proposal for a contributory enrollment-type dental benefit program for active duty family members only. The dental care provided would be limited to preventive and restorative for those who are plan members.

Issue #56 Child Development Services Extended Services

Resources were included in the FY 86-90 budget to provide for contracting family child care coordinators. Standard Operating Procedures (SOP) for babysitting COOPS have been written in draft and will be completed and distributed to the field by the 3rd Quarter FY 85.

Issue #57 Volunteer Banks (Issue 3-4m)

Existing volunteer coordinators will be surveyed to determine the benefits of such programs and lessons learned. Information will be distributed to the field and model programs identified. A resource request for FY 87-91 for gradual implementation of Installation Volunteer Coordinator positions at 104 sites is being submitted as a Program Development Increment Package (PDIP). Resources and training available in the civilian sector are also being publicized on a continuous basis.

Issue #58 Consumer Affairs Program

A Memorandum of Understanding (MOU) has been signed between DOD and USDA Extension Services (January 84). This MOU assists CONUS Army Community Service staff with support from various USDA Extension Service personnel in providing educational assistance to military personnel and their families in such areas as: food and nutrition, financial and resource management, child development and family strength, housing energy and consumer education. The FY 86-90 budget contains resources to hire consumer affairs program coordinators for both CONUS and OCONUS to provide debt counseling, financial planning and assistance and to establish a prevention education program in soldier money management and consumerism.

Issue #59 Bi-Cultural Family Adjustment (Issue 3-4n)

A Leader's Guide to Bi-Cultural Families and a Handbook for Service Providers Working with Bi-Cultural Families are being prepared for field dissemination in 4th Quarter FY 85. In addition, a project is underway to assess the needs of bi-cultural families and to prevent family dysfunction and enhance individual/unit readiness. Project report is to be published in 4th Quarter FY 85.

Issue #60 School Lunch Program (Issue 3-6d)

A formal needs assessment is being conducted to update and validate the remaining student lunch needs and associated costs to upgrade cafeterias and food service operations at Department of Defense Dependent Schools (DODDS). OMA funding is currently programmed for FY 86-90 to adequately support this effort.

Issue #61 Family Action Plan Implementation

The establishment of the U.S. Army Community and Family Support Center has institutionalized the support for our communities and families. This issue is resolved.

Issue #62 General Officer Steering Committee GOSC

The Family Action Plan GOSC has been established and will meet for the third time on 22 March 1985. This issue is resolved.

Issue #63 Family Research

The FY 86-90 budget request will provide $30.7 million for family and community research and 17.4 million for evaluation studies of the Army Family Action Plan. Research programs with ARI and WRAIR have also been coordinated.

Issue #64 Specialty Code Development

The action on this issue was closed at the direction of the General Officer Steering committee. No additional specialty code, MOS, or ASI was deemed necessary. This issue is resolved.

Issue #65 Resource Trends

A monitoring system for tracking resources has been developed. A document titled "Resourcing the Family Action Plan" has been distributed to the ARSTAF proponents for their use and information.

Issue #66 Family Fitness Program

The Soldier Support Center developed a Family Fitness Handbook that has been published and distributed as DA Pam 350-21. The distribution is based on one per family. The Handbook includes information on nutrition, stress reduction, physical fitness, sports, and substance abuse. A total of 312,000 issues have been distributed as of this date.

Issue #67 Junior Enlisted Family Initiatives (Issue 3-4kk)

A PDIP to fund an ACS Outreach Coordinator has been submitted for the FY 87-91 budget cycle. Implementation will begin when the requirement is funded. A few commanders have taken resources "out of hide" to start an outreach program.

APPENDIX B

CURRENT INITIATIVES BY FUNCTIONAL MANAGER

ODCSPER (DAPE) ACTIONS

Issue 3-3a	Overseas Orientation (DAPE-CP and DACF)
Issue 3-3b	Employment Information and Referral Service (DAPE-CP and DACF)
Issue 3-3d	Weight Allowances (DAPE-HRP)
Issue 3-3e	House Hunting Compensation (DAPE-HRP)
Issue 3-3f	Reimbursement for Real Estate (DAPE-HRP)
Issue 3-3i	Family Travel-Mobilization
Issue 3-4a	Family Member Support Groups-Installation/Unit (DAPE-HRP, DAPE-CP, DACF, OCAR, NGB)
Issue 3-4h	Alcohol and Drug Abuse (DAPE-HRL)
Issue 3-4i	Exceptional Family Member Program (DAPE-HRP and DACF)
Issue 3-4j	Assure Total Integration of Family Members of DA Civilians Into Army Family Programs (DAPE-CP, DACF, DASG, DAPE-HRP and DAEN)
Issue 3-4l	Family Support-Mobilization (DAPE-CP, NGB, OCAR)
Issue 3-4p	Abandoned Families (DAPE-HRP
Issue 3-4q	Variable Housing Allowance (DAPE-HRP)
Issue 3-4r	Food Stamp Eligibility (DAPE-HRP)
Issue 3-4t	Suvivor Assistance (DAPE-CP and LAPC)
Issue 3-4v	Army Community Services (ACS) Quality of Staff (DAPE-CP and DACF)
Issue 3-4z	Competitive Appointment (DAPE-CP)
Issue 3-4bb	DACF Staffing (DAPE-CP, DACF, DAEN, OCAR, NGB, DALO and DASG)
Issue 3-4cc	Use of Morale Support Activities (MSA) Facilities (DAPE-CP, DACF, NGB and OCAR)

Issue 3-4dd	New CDS Staffing (DAPE-CP and DACF)
Issue 3-4ee	Availability of Child Care (DAPE-CP and DACF)
Issue 3-4kk	First Term Family Initiatives (DAPE, DACF, and DAPC)
Issue 3-4mm	GI Bill (DAPE-MPA)
Issue 3-4oo	Family Safety (DAPE-HRS)
Issue 3-4pp	Suicide Strategy (DAPE-HRL)
Issue 3-4qq	Distaff Project (DAPE-ZAF and DACF)
Issue 3-5a	Medical Staff Shortages (DAPE-CP and DASG)
Issue 3-5d	Medical Staffing (DAPE-HR and DASG)
Issue 3-5f	Family Medical Travel Costs (DAEP-HRP)
Issue 3-5i	Medical Charges-Civilians OCONUS (DAPE-CP and DASG)
Issue 3-6a	Continuing Education for Spouses - GED and College (DAPE-MPE)
Issue 3-6b	English-As-A-Second Language (DAPE-MPE)

USACFSC (DACF) ACTIONS

Issue 3-3a	Overseas Orientation (DACF, DAPE-CP, and DAPC)
Issue 3-3b	Employment Information and Referral Service (DACF and DAPE-CP)
Issue 3-3h	Security Deposits (DACF and DACA)
Issue 3-4a	Family Member Support Groups - Installation/Unit (DACF, DAPE-CP, OCAR, NGB, and DAPE-HRP)
Issue 3-4b	Publish List of Benefits (DACF and SAPA)
Issue 3-4c	Reimbursements of Volunteer Expenses (DACF)
Issue 3-4f	Child Development Services (CDS) Quality of Staff (DACF)
Issue 3-4g	Family Advocacy Program (DACF)
Issue 3-4i	Exceptional Family Member Program (DACF and DAPE-HRP)
Issue 3-4j	Assure Total Integration of Family Members of DA Civilians

	Into Army Family Programs (DACF, DAPE-CP, DASG, DAPE-HRP and DAEN)
Issue 3-4k	Parental Kidnapping (DACF)
Issue 3-4m	Volunteer Banks (DACF)
Issue 3-4n	Bi-Cultural Family Adjustment (DACF)
Issue 3-4s	Financial Support of Family (DACF)
Issue 3-4t	State Residency Requirements (DACF and DAJA)
Issue 3-4u	Army Community Services (ACS) Quality of Staff (DACF and DAPE-CP)
Issue 3-4v	ACS Automated Data Base (DACF)
Issue 3-4x	ACS Facilities (DACF)
Issue 3-4y	Non-Command Sponsored Dependents (DACF)
Issue 3-4aa	Non-Appropriated Fund Instrumentality (NAFI) Reinstatement (DACF)
Issue 3-4bb	DACF Staffing (DACF DAPE-CP, DAEN, OCAR, NGB, DALO and DASG)
Issue 3-4cc	Use of Morale Support Activities (MSA) Facilities (DACF)
Issue 3-4dd	New CDS Staffing (DACF and DAPE-CP)
Issue 3-4ee	Child Care Availability (DACF)
Issue 3-4ff	RC Dependent ID Card (DACF, OCAR, and NGB)
Issue 3-4kk	First Term Family Initiatives (DACF, DAPE, and DPPC)
Issue 3-4ll	Sexual Molestation (DACF)
Issue 3-4qq	Distaff Project (DACF and DAPE-ZAF)
Issue 3-6c	Youth Activities (DACF)
Issue 3-6d	School Lunch Program-OCONUS (DACF)
Issue 3-6e	Department of Defense Dependent Schools System (DODDS) Transfer to Department of Education (DOE) (DACF)

OTSG (DASG) ACTIONS

Issue 3-4j	Assure Total Integration of Family Members of DA Civilians

	Into Army Family Programs (DASG, DAPE-CP, DAPE-HRP, DACF and DAEN)
Issue 3-4bb	DACF Staffing (DASG, DACF, DAPE-CP OCAR, NGB, DALO and DAEN)
Issue 3-5a	Medical Staff Shortages (DASG and DAPE-CP)
Issue 3-5b	Availability of Facilities (DASG)
Issue 3-5c	Preventive Orientation (DASG)
Issue 3-5d	Medical Staffing (DASG)
Issue 3-5e	Civilian Health and Medical Program of the Uniformed Services (CHAMPUS) (DASG)
Issue 3-5f	Family Medical Travel Costs (DASG and DAPE-HRP)
Issue 3-5g	RC CHAMPUS at Mobilization (DASG)
Issue 3-5h	Contract Care Givers (DASG)
Issue 3-5i	Medical Charges-Civilians OCONUS (DASG and DAPE-CP)

NGB ACTIONS

Issue 3-3i	Family Travel-Mobilization (NGB, OCAR, DALO and DAMO)
Issue 3-4a	Family Member Support Groups Installation/Unit (NGB, OCAR, DAPE-HRP, and DAPE-CP)
Issue 3-4l	Family Support-Mobilization (NGB, OCAR, and DAPE-CP)
Issue 3-4bb	DACF Staffing (NGB DACF, DAPE-CP, OCAR, DALO, DAEN and DASG)
Issue 3-4cc	Use of Morale Support Activities (MSA) Facilities (NGB, DACF, OCAR and DAPE-CP)
Issue 3-4ff	RC Dependent ID Card (NGB, OCAR, and DACF)
Issue 3-4gg	RC Information (NGB, OCAR, and SAPA)
Issue 3-4hh	Multiple Unit Training Assemblies (MUTA) for Families (NGB, OCAR, and DAMO)
Issue 3-4ii	Active Guard Reserve (AGR) Housing (NGB, OCAR, and DAEN)
Issue 3-4jj	RC Commander Training (NGB, OCAR, and DAMO)
Issue 3-5g	RC CHAMPUS at Mobilization (NGB, OCAR, and DASG)

OCAR (DAAR) ACTIONS

Issue 3-3i	Family Travel-Mobilization (OCAR, NGB, DALO and DAMO)
Issue 3-4a	Family Member Support Groups-Installation/Unit (OCAR, DAPE-HRP, DAPE-CP, and NGB)
Issue 3-4l	Family Support-Mobilization (OCAR, DAPE-CP and NGB)
Issue 3-4bb	DACF Staffing (OCAR, DACF, DAPE-CP, NGB, DASG, DAEN and DALO)
Issue 3-4cc	Use of Morale Support Activities (MSA) Facilities (OCAR, NGB, DACF and DAPE-CP)
Issue 3-4ff	RC Dependent ID Card (OCAR, NGB, and DACF)
Issue 3-4gg	RC Information (OCAR, NGB, and SAPA)
Issue 3-4hh	Multiple Unit Training Activities (MUTA) for Families (OCAR, NGB, and DAMO)
Issue 3-4ii	Active Guard Reserve (AGR) Housing (OCAR, NGB, and DAEN)
Issue 3-4jj	RC Commander Training (OCAR, NGB, and DAMO)
Issue 3-5g	RC CHAMPUS at Mobilization (OCAR, NGB, and DASG)

MILPERCEN (DAPC) ACTIONS

Issue 3-3a	Overseas Orientation (DAPC, DACF and DAPE-CP)
Issue 3-3c	Sponsorship (DAPC and DAIG)
Issue 3-4t	Survivor Assistance
Issue 3-4kk	First Term Family Initiatives (DAPC, DACF, and DAPE)

OCE (DAEN) ACTIONS

Issue 3-4d	Housing Operations Management System (HOMES) (DAEN)
Issue 3-4e	Quarters Maintenance (DAEN)
Issue 3-4bb	DACF Staffing (DAEN, DACF, DAPE-CP, DASG, OCAR, NGB and DALO)
Issue 3-4ii	Active Guard Reserve (AGR) Housing (DAEN, OCAR, and NGB)

ODCSLOG (DALO) ACTIONS

Issue 3-3g	PCS Education (DALO)
Issue 3-3i	Family Travel-Mobilization (DALO, OCAR, NGB and DAMO)
Issue 3-4o	Dining Facility Surcharge (DALO)
Issue 3-4bb	DACF Staffing (DALO, DACF, DAPE-CP, OCAR, NGB, DAEN and DASG)

SAPA ACTIONS

Issue 3-4b	Publish List of Benefits (SAPA and DACF)
Issue 3-4gg	RC Information (SAPA, NGB, and OCAR)

ODCSOPS (DAMO) ACTIONS

Issue 3-3i	Family Travel-Mobilization (DAMO, OCAR, NGB and DALO)
Issue 3-4bb	Multiple Unit Training Activities (MUTA) for Families (DAMO, OCAR, and NGB)
Issue 3-4jj	RC Commander Training (DAMO, OCAR, and NGB)

OTJA (DAJA) ACTIONS

Issue 3-4u	State Residency Requirements (DAJA and DACF)
Issue 3-4nn	Claims (DAJA)

OTIG (DAIG) ACTIONS

Issue 3-3c	Sponsorship (DAIG and DAPC)

COMPTROLLER (DACA) ACTIONS

Issue 3-3h	Security Deposits (DACA and DACF)

OCC (DACH) ACTIONS

Issue 3-4rr	Family Life Centers (DACH)

APPENDIX C

ACRONYMS

ACES - Army Continuing Education System

ACS - Army Community Service

AER - Army Emergency Relief

AFAP - Army Family Advocacy Program

AFIS - Armed Forces Information Service

ARI - Army Research Institute

ARMS - Army Resource Management Structure

ARNEWS - Army News Service

ARSTAF - Army Staff

ARTEP - Army Readiness Training Exercise Program

AUSA - Association of the US Army

CDS - Child Development Services

CHAMPUS - Civilian Health and Medical Payments for United States

CIVPERCEN - Civilian Personnel Center

COB - Command Operating Budget

COHORT - Cohesion, Operational, Readiness, and Training

CONUS/OCONUS - Continental United States, Outside Continental United States

DACF - Community and Family Support Center

DAEN - Department of Army Engineers

DALO - Department of Army Logistics

DAMO - Department of Army Military Operations

DAPC - Military Personnel Center

DAPE-CPE - Civilian Personnel Staffing, Career Management Training Office

DAPE-HRA - Alcohol and Drug Policy Office (DHRD)

DAPE-HRP - Soldier and Family Policy Division (DHRD)

DAPE-HRS - Army Safety Technical Advisory Office (DHRD)

DAPE-ZAF - ODCSPER Family Liaison Office

DAPE-ZXB - Manning Task Force

DAPE-ZXP - Personnel Programs Analysis Office

DHRD - Director of Human Resources Development

DPCA - Director of Personnel and Community Activities

DODDS - Department of Defense Dependent Schools

DODI - Department of Defense Instruction

EERC - Education Employment Resource Center

EFMP - Exceptional Family Member Program

EPMS - Enlisted Personnel Management System

FACT - Family Action Coordination Team

FAP - Family Action Plan

FLO - Family Liaison Office

FOA - Field Operating Agency

GOSC - General Officer Steering Committee

HOMES - Housing Operations Management System

HRDD - Human Resources Development Directorate

IPR - In Process Review

MACOM - Major Army Command

MILPERCEN - Military Personnel Center

MOS - Military Occupational Specialty

MSA - Morale Support Activity

MWR - Morale, Welfare, and Recreation

NAF - Non-Appropriated Funds

NGB - National Guard Bureau

NG - National Guard

OCAR - Office of the Chief of Army Reserves

ODCSPER - Office of the Deputy Chief of Staff for Personnel

OPMS - Officer Personnel Management System

OTJAG - Office of the Judge Advocate General

OTSG - Office of The Surgeon General

PAO - Public Affairs Office

PARR - Programs Analysis Resource Review

PBG - Program Budget Guidance .

PCS - Permanent Change of Station

PDIP - Program Development Incremental Package

PECC - Civilian Personnel Center

POM - Program Objective Memorandum

PPBES - Program, Planning, Budgeting, Execution System

RC - Reserve Components

ROA - Retired Officer's Association

SAPA - Secretary of the Army Public Affairs

SSC - Soldier Support Center

TAGO - The Adjutant General Office

TRADOC - Training and Doctrine Command

WRAIR - Walter Reed Army Institute of Research

APPENDIX D

CHAPLAIN

This appendix presents a developmental collaborative model which can be used by all Agencies which provide services to families.

Commanders of Posts and Units can use this model to reveal which helping agencies provide what services to soldiers and families in each of the six stages of family development in the family of units, people and components. Programs can be established on the tasks to be accomplished, the strengths to be developed or enhanced and the distractors to be reduced or eliminated. Attitude is a factor to be addressed in all program areas.

Among chaplains, TO&E and other troop unit chaplains have the lead in providing unit chaplain coverage to the family of units and provide denominational and area coverage to the family of people and components.

TDA chaplains have the lead in providing area and denominational coverage to the families of people and components and provide additional denominational and area coverage to the family of units.

The staff chaplain has the responsibility to incorporate all chaplain programs into the Master Religious Program.

Because of the age of the soldiers assigned to units, the unit chaplains' family programs are concentrated in the first three stages.

This model must be adapted to single parents and married couples without children. These families many times have a greater need for social support than traditional families.

DEVELOPMENTAL STAGES OF THE FAMILY JOURNEY: A PROPOSED TOOL FOR COMMANDERS IN PROVIDING SERVICES TO THE ARMY FAMILY

INTRODUCTION

PURPOSE

This purpose is to provide Commanders with a conceptual model that can be used as an assessment tool for family services on the local installations. The model serves as a data gathering tool, a development tool for new family services such as family advocacy, an evaluation tool to determine what family services are being offered to which families and how effective those services are in meeting family needs. Each local installation may want to design its own methods for using the model.

One such installation recently held a two day family services seminar conducted by the Organizational Effectiveness Office. Participants were representatives of activities involved in family services and the conference was held for data gathering and assessment. The data will then be organized and further sessions are planned with both "users" and "providers" of family services participating. Other installations are looking at their family services effort with the model presented here as a guide.

The analysis, design, development, delivery and evaluation of family services on a local installation can be enhanced by using the six stage model of the life cycle of the family as the basic element of this effort.

BACKGROUND

Today's Army is a married Army. In contrast to the pre-volunteer Army, where two-thirds of soldiers were single or geographic singles, over one half of today's soldiers are married and most have families living with them.

Army policy has been responsive to family needs. In the past, when the number of accompanied families was relatively few, Army programs and services could be appropriately selective and reactive in nature. As the number of Army families has increased, the number of variety of family resources has also increased. The goal of many of these family programs has been to identify problems in families, that is, to identify dysfunction, and then to provide remedies helpful to family members.

With the advent of the wellness concept of family, it is clear that a new tool is needed to identify, assess, plan, and coordinate family services. Rather than to focus on family illness, wellness gives focus to the health and strengths of the family. A wellness concept is based on several assumptions and provides several conclusions that are essentially different from a "treatment" view of family services.

The first assumption about families from a wellness concept is that they have a propensity for healthy growth as they travel through time. A second assumption is that there are distractors or roadblocks that may get in the way of families, slowing their journey or interfering with their wellness. A third assumption is that institutions providing family services must be in the road block-moving business, that is, the business of assisting families to navigate obstacles that get in the way of their wellness journey. Consequently, a new conceptual framework is needed for assessing family services. This new way of looking at families must be congruent with wellness and different from a "treatment" model.

The purpose of this chapter is to provide commanders with a framework for looking at families from a wellness concept. The model for assessment that is described assumes that all families are healthy, growth-oriented systems that will normally change over time. This model assumes that since families are essentially healthy and growth oriented, the function of family services in the military is twofold. One purpose of family services is to affirm a family's strengths and assist in developing them further. The second is to assist the family in successfully navigating roadblocks and overcoming distractors to its maturing process.

The model proposed is a six-stage developmental model that describes a family's normal growing and maturing process. Just as an individual grows from infancy through old age, reaching new levels of skills, so also does the family. Each of the six stages in the family life cycle has its stage specific vulnerability to stress as roadblocks and distractors may interrupt family growth. The six-stage model is based on observation of a "traditional" family cycle. However, it does not exclude sole-parent families nor blended families. These families experience the same stages of development. However, sole-parent and blended families are different in that their stages are interrupted by death or divorce, or they may add or repeat stages with remarriage. Also, many families can be in more than one stage at any given time.

This six-stage developmental model is based on an assumption of family wellness. However, it also has several other advantages. First, the model in itself will provide clear and specific information about the needs of families. Second, the model within itself will be an assessment tool for identifying how well family services match family needs. And third, the model will assist in targeting development of family programs where a need has been identified.

For each stage, the appropriate task will be described, the family strengths will be indicated, and roadblocks and distractors to healthy family function will be listed. In addition, the example of a hypothetical Army family will be used to clarify the characteristics of each stage. The conclusion of this paper will address the application of the six-stage developmental model to assessment of family services and programs on installations.

SIX STAGES OF THE FAMILY

STAGE	DESCRIPTION	TASKS	STRENGTHS	DISTRACTORS
I.	PREMARRIAGE			
II.	MARRIAGE (TO CHILD BIRTH)			
III.	FAMILY (TO CHILD ADOLESCENCE)			
IV.	FAMILY (CHILD ADOLESCENCE)			
V.	FAMILY (CHILD LAUNCHING)			
VI.	MARRIAGE (AFTER CHILD REARING)			

BODY

The family of Art and Alice began when both met in AIT. Art had joined the Army because he wanted to get away from the conflicts in his family, while

Alice wanted to learn skills that would give her a chance for independence and a better economic life than her parents. After a whirlwind courtship they decided to marry; however, Art was stationed in Germany and Alice stateside. They began married life apart, and Alice left the Army at the birth of their first child. The family had two more children and the years were punctuated by several moves, by school and training, and by promotions for Art. Both Art and Alice agreed that as their children entered adolescence, family stress increased. They experienced many distractors to their sense of family well-being. The family's decisions around Art's retirement focused challenges to this soldier family.

STAGE I: PREMARRIAGE

Stage I, Premarriage, includes a time of transition when an individual begins the process of separating self from the family he/she grew up in. Letting go of emotional attachment to parents is the primary task of this stage. The person, having learned individual skills in work and social interactions, prepares to make a commitment to a prospective marital partner in an intimate relationship. Strengths include an ability to tolerate separation from home, ability to learn new tasks, a desire to make a relationship commitment, idealism and hope for success in marriage. Distractors for the individual at this time include all those factors that keep the individual too closely tied to the parental family or so abruptly separated from parents that the separation process cannot smoothly take place. Additional distractors are those conditions that prevent a couple's exploration of the different values and expectations they bring to a committed relationship. Distractors at this stage often include the following: conflicts between personal and family values, couple separation, lack of couple decision-making skills, and unrealistic expectations of marriage.

Art and Alice faced difficult decisions over the timing of their marriage. Both had a sense that they were avoiding many of their differences in the romance of courtship. Unresolved issues each had with their own families affected them. Alice's family, for example, wanted her to postpone marriage until she was able to support herself, and Art's visits home were quite brief because disagreements always came up after the first day.

1. What resources and programs increase the strengths of a Stage I couple?

2. What resources and programs are available or can be developed on your installation to assist a couple such as Art and Alice in accomplishing the tasks of Stage I?

3. What resources and programs are available or can be developed to assist the Stage I couple in navigating roadblocks or distractors?

STATE II: MARRIAGE (TO CHILD BIRTH)

Stage II of the family development model is Marriage. The primary task of this stage, which lasts until the birth of the first child, is the consolidation of the marital relationship. This means that the couple is able to work out normal differences in background and expectations and is able to derive primary emotional satisfaction from the marital relationship. The couple become a separate unit from their families yet each is included in the family of the other. The couple's strengths may include: intimacy, time to work on the relationship, couple openness to discovery with each other, positive examples of marriage in parental families, willingness of in-laws to accept and encourage the new couple. Distractors at this stage are what prevent the individual from making an appropriate investment of energy into the new marriage. Distractors and roadblocks at this time often include: lengthy separations, difficulty in communicating at a distance, lack of information concerning a shared relationship (financial, social, sexual, etc.), a crisis in parental families, adjustment with in-laws, spouse abuse.

Art and Alice had little time for a honeymoon since Art returned to Germany shortly after the wedding. Over the next months the couple attempted to communicate at long distance on important aspects of their life together. However, some decisions Alice simply made herself. Also, she did not tell Art how difficult she found talking with his mother. She hoped things would get better when Art returned home.

1. What resources and programs increase the strengths of the Stage II couple?

2. What resources and programs are available or can be developed on your installation to assist a couple such as Art and Alice in accomplishing the tasks of Stage I?

3. What resources and programs are available or can be developed to assist the Stage II couple in navigating roadblocks or distractors?

STAGE III: FAMILY (TO CHILD ADOLESCENCE)

Stage III, Family Child birth through Child Latency, demands of the soldier-family the mastery of the skills of parenting roles. While maintaining the foundation of the marital bond, the family must include a new generation, provide nurturance for dependent children, and make available an appropriate learning environment for all family members. What are possible strengths of the military family at Stage III? These may include: an increasing familiarity of the soldier family with resources within the military community (health care, child care, etc.), an orientation toward learning, helpfulness of family members. Distractors and roadblocks at this time are whatever prevents a couple from including a child in the nurturing care of the family. They may include unplanned pregnancy, health problems of mother and/or child, difficulty in learning parental roles to include appropriate nurturing as well as appropriate discipline for pre-teenage children, financial burdens, difficulty keeping contact with the grandparental generation, difficulty giving time and energy to the marital relationship.

Alice's pregnancy occurred within the time frame the couple had planned. When they told their families of the good news, they noticed increased interest on the part of the prospective grandparents. However, Alice experienced a difficult pregnancy and premature delivery. The separation of Art and Alice from their newborn son during this hospital stay was stressful. When the baby returned home, both Art and Alice were anxious over his health and their parenting skills. The arrival of their next two children seemed much easier in comparison to the first.

1. What resources and programs increase the strengths of the Stage III family?

2. What resources and programs are available or can be developed on your installation to assist the family in accomplishing the tasks of Stage III?

3. What resources and programs are available or can be developed to assist the Stage III family in navigating roadblocks or distractors.

STAGE IV: FAMILY (CHILD ADOLESCENCE)

Stage IV, Family with Children in Adolescence, is a time when learning increased flexibility is the primary task of family members so that children may become independent. Family rules and boundaries need to be adjustable, allowing teenagers freedom to move in and out of the family. During this stage parents may fear that their teenager will not turn out all right and that the parents will be blamed for it. Additional stress occurs on installations when parents fear their teenagers will be caught in some violation of regulations or laws that will reflect adversely on the family. Often parents redouble their efforts at this point to "perfect" the teenager before it is too late. Teenagers, on their part, fear they will never be given a chance of independence. They may feel restricted or smoothered. Both parent and teenager may fear that the teenager will not leave the family as a fully functional young adult. Differing ideas on appropriate behavior and discipline for adolescents often cause conflict in the relationship between parents. What are strengths to be affirmed? Stage IV families often have: education and skills from living in varied locations and cultures, social skills in entering new environments, a sense of family identity as a result of shared moves and experiences, pride in the service member's accomplishments, models in the military community for both males and females gaining new levels of responsibility and recognition, models in the military community for limits and consequences. Distractors and roadblocks include whatever hinders a teenager's growing independence. They may include: difficulty for parents in setting appropriate limits for their teenagers, difficulty for teenagers in gaining increased responsibility and freedom, difficulty of teenagers in sustaining peer relationships, substance abuse, sexual abuse and/or incest, unwanted pregnancy, school problems, conflict and distance in the couple relationship.

When Art and Alice's son and two daughters entered the teen years, the couple was aware that family life seemed much more complicated. They worried about the children's grades and about how responsible the teenagers were in driving and dating. They did not want to seem naive about the teenagers possible use of drugs or alcohol or sexual activity, yet they did not want to seem untrusting by bringing these issues up. The family experienced a major crisis when their son was injured in an automobile accident following a dance.

1. What resources and programs increase the strengths of the Stage IV family?

2. What resources and programs are available or can be developed on your installation to assist the family in accomplishing the tasks or Stage IV?

3. What resources and programs are available or can be developed to assist the Stage IV family in navigating the roadblocks or distractors?

STAGE V: FAMILY (CHILD LAUNCHING)

Stage V, Family at Child Launching, is characterized by the experience of loss as parents let go of their parental roles and prepare to establish adult to adult relationships with their children. Children also give up the dependent role of children with parents. With the loss of these roles comes an increase of time and energy available for other pursuits. Children invest in peer groups, work or education, and eventually choose a marriage partner. Parents must make choices to reapportion their energy in new work, new interest, perhaps in the new roles of in-laws and grandparents. Of primary importance is the strength of the marriage and the ability of the parents to reinvest energy in their own relationship. The primary task of Stage V is to shift energy from parent-child relationships back to the marital relationship in order to allow adult children to leave home. What are strengths of this stage? They may include: the desire of the couple to increase their own enjoyment and let go of the work of the previous stage, relative economic stability, increased time and energy for individual interests. Distractors at this stage are whatever prevents the marital couple from returning energy to their own relationship. Common distractors are: illness or death in the grandparental generation, too early or delayed departure of children from home, distance and/or conflict between the marital couple, depression or illness in a family member in anticipation of departures.

Art and Alice faced serious decisions as Art approached 17 years of service. These involved timing and location of retirement, decisions on a second career, Alice's plans to return to school and work, and assisting their young adult children with college. Another family crisis occurred when their 17 year old daughter announced that she wished to leave school to marry a young soldier on orders for Germany.

1. What resources and programs increase the strengths of the Stage V family?

2. What resources and programs are available or can be developed on your installation to assist the family in accomplishing the tasks of Stage V?

3. What resources and programs are available or can be developed to assist the Stage V family in navigating the roadblocks or distractors?

STAGE VI: MARRIAGE (AFTER CHILD REARING)

Stage VI, Marriage after Child Rearing, includes that time when the family is once more composed primarily of husband and wife. Relationships to children are significant but not primary. Resolution of loss is the task of this stage. The key is how the couple gets on with their lives in a way that has meaning for them. What programs affirm and make use of strengths of Stage VI families? These may include: skills and expertise acquired over time, wisdom from acceptance, perspective from experience, leisure time. Distractors and roadblocks at this stage include: those things that prevent a couple from feeling satisfaction with their present role as a couple in the older generation. Distractors include: the inability of a parent to let go of an adult child; the inability of an adult child to function without parental support; out-of-touch partners experiencing the pain and loneliness of their marriage; loss of parents' dreams of success for their children; loss of health or either spouse.

Art and Alice were able to plan together for Art's retirement. This included buying into Alice's brother's business and moving to Alice's home town which was near a military base. Their middle daughter returned home for a period of time after college and before finding a job. The couple was able to plan and enjoy frequent vacations and trips to visit grandchildren. After Art suffered a mild stroke, the couple became more focused on home and in their interest in gardening. They welcomed visits from children, grandchildren and friends.

The last stage of the family can be a time when the experiences of all the previous stages, the pain and joy, the holding on and letting go, culminates in a sense of satisfaction and accomplishment for the couple and all their family. Stage VI is a new beginning to an old journey, a new beginning for two who live out the health and wellness of the family life cycle.

1. What resources and programs increase the strengths of the Stage VI family?

2. What resources and programs are available or can be developed on your installation to assist the family in accomplishing the tasks of Stage VI?

3. What resources and programs are available or can be developed to assist the Stage VI family in navigating roadblocks or distractors?

CONCLUSION

Just as families move through developmental stages, the Army in providing services to families has moved through several stages to this present transitional point. In the past, when the emphasis on service for Army families was relatively sparse, the family was seen as accommodating the needs of the service member. As the emphasis on Army families grew dramatically, delivery of services became the main thrust of the Army. Families were provided with a variety of programs and services intended to insure quality of life for the family member. This stage was very successful and enabled the Army to move to its present position. However, it seems that the proliferation of services to family which in the past was a necessity, has now become difficult. Commanders do not have a clear perspective on what services are available and for whom. Additionally, there is no tool for commanders to use to identify services available to families or to assess these programs' effectiveness.

A metaphor of the dilemma might be to compare those providing services to rainmakers. They fly over cloud after cloud dropping crystals and making the rain fall. There are many clouds and many rainmakers. The problem with being a rainmaker is that the rainmakers really do not know how effectively the soil is being watered until they land their craft and reconnoiter the ground. Only upon inspection of the target zone are they able to determine how effective their work is. Rainmakers have high hopes of how well the rain project is going, assuming that all ground is moist and fertile for growth. Inspection may show this is true in some areas; however, there also may be land left desert while other areas are flooded. Such is the life of rainmakers.

The installation mentioned in the introduction that met for a two-day seminar used the six-stage family developmental model as a tool to assess the "rain." Both deserts and floods were identified along with well-watered areas. The one recommendation that was almost unanimous was that the process needed to continue. Going to the "soil" (families) and identifying where they see the deserts and floods will be the next stage in the process. Then family services at the installation can be tailored to the needs of families in a more specific and stage-focused way.

There are other ways to use the developmental model as a tool for installation commanders and the majority of these ways depend on the uniqueness of each installation, the families served, the people providing family services, and the command desires in the areas of family life.

THE FAMILY LIFE CYCLE:

A MAP FOR MINISTRY

INTRODUCTION

PURPOSE

The purpose of this section is to follow up on the previous section entitled "Developmental Stage of the Family Journey": A Proposed Task for Commanders in Providing Services to the Army Family."

This section focuses on the chaplain ministry using the same developmental six-stage model, thus a family developmental model for ministry.

DISCUSSION

The family life cycle model can provide a map for family ministry. Within the life cycle the family organism is experiencing pain, fear, and uncertainty as well as joy, satisfaction, and growth. For a family to successfully meet the task of each phase, it will need beliefs and values that will help the family to see all of these experiences from a vantage point that allows for meaning and purpose and gives hope. The vantage point for many families is faith.

The chaplain, as the representative of faith, brings ministry to the family through ritual, religious education, and pastoral care that informs and gives substance to the ritual. Through ministry, the chaplain helps to ease the transition from one phase of the life cycle to another. The chaplain also celebrates tasks met and assists in closure so that the family can move to the next phase.

The installation chaplain will find in the model a framework for ministry that will give unity to the local installation program while at the same time providing great opportunity for diversity and creativity among the chaplain team.

Rituals, both at home and in chapel settings, will be stylized to fit the particular needs of all in the family whether that need is to make a significant transition from one phase to another, celebrate the tasks accomplished within a phase, or bring closure to a phase and so allow the family to move on.

The Religious Education program can be enhanced by using the model to help the Director of Religious Education understand the needs of both the students and parents. Lessons of faith can be addressed and presented with the family needs in mind.

BODY

Pastoral care will find in this model a mapping of the needs to be met and anticipated in healthy families and a key to understanding all families. It will help the pastoral care to be family-specific. Also, the model will help the chaplain to be less perplexed by the multitude of data presented to him/her by the family.

STAGE I: PREMARRIAGE

The first stage, Premarriage, is that time when a person begins to separate from the family he or she grew up in. This separation allows the individual to prepare for a commitment to a prospective marital partner.

Looking at this stage from the view of its tasks, strengths, and roadblocks or distractors gives a great deal of information about the ministries.

First of all, the chaplain can assist the individual in changing the emotional tie with his or her parental family, neither cutting loose entirely nor staying glued too closely. This is the time of romance and courtship when reality often must struggle to be noticed by a couple in love. Ministries focused on Stage I would affirm the strengths of the stage such as idealism and readiness to learn new relationship skills. Ministry can also assist couples to navigate such roadblocks as separation or unrealistic expectations as the couple accomplishes the tasks of Stage I.

Chaplains are involved as the primary source for providing services to the Stage I couple. Marriage preparation classes, counseling and group encounters are some of the programs available to the couple from the chaplains. Questions to be asked at this stage are:

1. What rituals are available to the couple during the premarriage stage? What rituals might be designed to mark this point in the couples' life?

2. What religious education programs are specifically conducted for the Stage I couple? What program must be designed?

3. What pastoral care is available to the couple? What other pastoral care might be made available to minister to the Stage I couple?

STAGE II: MARRIAGE (TO THE BIRTH OF A CHILD)

Stage II of the family development model is Marriage. The primary task of this stage, which lasts until the birth of the first child, in the consolidation of the marital relationship. This means that the couple is successful in working out normal differences in background and expectations and is able to derive primary emotional satisfaction from the marital relationship. The couple become a separate unit from their families, yet each is included in the family of the other.

Chaplains offer many ministries to the couple during this stage from the moment of the marriage ceremony to the excitement of anticipating the birth of a child. The chaplain is there to celebrate through ritual, encourage through counsel, inspire through worship, and guide through religious education.

However, this stage is often the most difficult to reach through ministry; it may be the least effective stage of ministry.

This contrasts with the importance of Stage II. It is a time for setting a firm lifetime foundation for the family, and it is a time for reality to become an ingredient of life. Ministries for this stage will affirm the skills to be learned to gain intimacy, and assist in providing information needed to overcome roadblocks and distractors.

Again the questions presented at the end of Stage I should be asked at the local level concerning ritual, religious education and pastoral care.

STATE III: FAMILY (TO CHILD ADOLESCENCE)

State III describes that time when a couple extends care and love to pre-adolescent children. The couple's main job at this stage is to learn parenting roles while they also maintain the bond of their own relationship. A couple's strengths of increased skill in using resources in the community and of a natural orientation toward learning and growth can help them master the tasks of this stage. Anything that prevents parents from including a child in the nurturing care of the family is a distractor to the family's healthy journey. These may include health problems of mother and/or child, financial burdens, overinvestment in parenting with resulting loss to the marital relationship, children's educational problems, distance of grandparents, and of course many others.

Programs and services are effective that assist the entire family navigate the many demands of this active stage. The chaplain is there at birth to celebrate, to baptize, to dedicate, and to accept into the religious community. The chaplain is there to support the new family. The chaplain is involved in religious education as the child begins to learn of the church and his/her place in the world. There are a multitude of opportunities for ministry to the new family of Stage III. Again, the questions of ritual, religious education and pastoral care can assist in mapping ministry to the Stage III family.

STATE IV: FAMILY (WITH ADOLESCENT CHILDREN)

The next stage, the family with Adolescent Children, is an even more complex stage with a complex task to be mastered. At this time a family must learn increased flexibility so that children may become independent. Family rules and boundaries need to be adjustable, allowing teenagers freedom to move in and out of the family. Parents and teenagers may experience fear that the teenager will not be able to leave the family as a fully functional young adult, and all family members may experience conflict as new ways of relating are developed. Family strengths at this time frequently include education and skills for living in varied locations and cultures, models in the military community for both males and females gaining new levels of responsibility and recognition, models in the military community for limits and consequences. Distractors and roadblocks include whatever hinders a teenager's growing independence and may include the difficulties of parents in setting appropriate limits for their teenagers, or difficulty for teenagers in gaining or accepting increased responsibility and freedom.

Most efforts by the chaplain at this stage outside of worship are focused on individual family members. Family ministry reflects what is going on in the family and addresses independence and responsibility of family members, development of a teenager's identity, and concern of parents. Continued religious education and pastoral care are the most familiar ministries. Again the previous questions can assist in the focus of ministry to the Stage IV family.

STAGE V: FAMILY (AT CHILD LAUNCHING)

The next stage, Stage V, the Family at Child Launching, asks of the family another level of skills. After all the care and concern around the rearing of children, now the task of the family is for parents and children to let go of each other at the appropriate time. Parents then can return energy to their couple relationship and children can free energy to place in peer relationships, thus setting the stage for another generation of the family life cycle.

Strengths at this time may be a couple's desire to shift from the work of parenting to enjoy life together, and the normal desire of adult children to establish themselves on their own. Distractors and roadblocks are those hings that cause a premature departure of children before they can manage on heir own or a delayed departure of children from home.

haplains providing ministries to the family are often frustrated by the ifficulty of knowing what the family needs at this stage. It is a time of igh anxiety, when family members anticipate loss of a family structure that the family has known for many years. A ritual for launching has generally not been a part of ministry; often, the young adult leaves with little recognition for achieving independence and parents lack affirmation for their achievement in bringing this about. Opportunities to welcome back the "launched" members at summer vacations or upon visits are also an area of generally untapped ministry.

The questions of ritual, religious education and pastoral care can enable ministry to flourish in the Stage V family.

STAGE VI MARRIAGE (AFTER CHILD REARING)

Stage VI, Marriage After Child Rearing, finds the family back to the primary two, the husband and wife, or back to a family of one for a widow/widower or divorcee. The task is to resolve the losses of life and discover new meaning as a couple/individual of the older generation. The key issue is how to get on with life in a way that has meaning. Strengths of the couple or individual are the skills, experience, wisdom and perspective of a lifetime. Distractors may be the inability of a parent to let go of an adult child, the inability of an adult child to live independently, loss involved with retirement, loss of parents' dreams of success for their children, or loss of dreams for themselves or their marriage.

The chaplains have a tremendous ministry to the family at this stage - whether it is a couple or an individual. Chaplains may find ministry to the soon-to-be retired or retired family quite rewarding. Many of the volunteers for assistance in worship, religious education, or other chapel programs come from this stage.

The chaplain's presence helps celebrate the culmination of the family life cycle. The last stage of the family can be time when the experiences of all the previous stages, the pain and joy, the holding on and letting go, finds fulfillment in a sense of satisfaction and accomplishment for the couple or individual and all family members. Stage VI is a new beginning for an old journey, a new beginning for those who live out the health and wellness of the family life cycle. Our questions can once again be helpful in focusing on ministry to Stage VI of the Family.

CONCLUSION

As the family travels through its life cycle, the chaplain is an integral part of that journey. The six stage developmental model can be a map assisting the chaplain's ministry. It provides both a framework and opportunity for ritual, religious education and pastoral care to meet family needs.

The CHAIRMAN. Thank you, General.

Admiral Lawrence.

STATEMENT OF VICE ADM. WILLIAM P. LAWRENCE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL AND TRAINING, AND CHIEF OF NAVAL PERSONNEL, DEPARTMENT OF THE NAVY

ADMIRAL. LAWRENCE. Mr. Chairman and distinguished members of the subcommittee, I appreciate the opportunity to appear before you today in support of the total Navy Manpower Program.

I will make a brief opening statement and then be pleased to answer your subsequent questions.

This year marks the midpoint of our growth toward a 600-ship, 15-carrier, battle group Navy. This effort began in 1981 and will become reality by the end of this decade.

My detailed statement, which I ask to be included in the record, provides a comprehensive overview of our progress in the manpower, personnel, and training aspects of this growth.

I've outlined what we believe are the necessary adjustments which must be made to remain on course and speed to achieve our objectives.

As we view our position to date, we find that the new ships and equipment are essentially in being or under construction. We are, therefore, committed to continue growing the high-quality force needed to operate and support them.

Our progress over the past 4 years has been good. Retention has increased, our recruiting efforts have been successful, and we have achieved significant improvements in readiness as a result.

Your strong support and the positive attitude toward military service by the American people have been largely responsible for these successes.

At the same time, we recognize the budget dilemma you face. As tempting as it may be to seek relief by making reductions to personnel accounts, I urge you to consider that such reductions do not represent a cost-effective solution.

We are beginning to see a decline in the good recruiting and retention of the past 2 years. If we allow this to continue, we will inevitably find ourselves in a downward spiral, which could quickly return us to the problems we faced in the late 1970's.

Judging by our experience in the past, reestablishing the momentum we have worked so hard together to create over the past 4 years will be far more costly than the price we must pay now to sustain our sound personnel posture.

BUDGET REQUEST

Regarding our budget request, I would ask you to specifically review five areas that we consider very important to our continued progress.

The need for continued end-strength growth to adequately man and support our additional ships and aircraft;

Support for the recruiting resources we need to compete in what has become an increasingly difficult environment;

Reimbursement of our personnel for their out-of-pocket expenses incurred in permanent change-of-station moves and support for many quality-of-life initiatives that we have in the fiscal 1986 budget;

Enhance bonuses to correct critical nuclear officer manning problems; and

Support for legislative change designed to stem a disturbing increase in aviator resignations in our carrier-based aviation units.

Again, I appreciate the committee's support for our efforts to date and know you will give careful consideration to our requests for the future.

I will be prepared to answer questions after completion of these opening statements.

Thank you very much.

PREPARED STATEMENT OF VICE ADM. WILLIAM P. LAWRENCE

I. INTRODUCTION

Mr. Chairman and Members of the Subcommittee

I am Vice Admiral Bill Lawrence, Deputy Chief of Naval Operations for Manpower, Personnel and Training, and the Chief of Naval Personnel. This is the second year I have had the opportunity to testify in support of the Total Navy Manpower Program, and I am looking forward to continuing the dialogue we established last year.

Before I discuss the specific aspects of our manpower personnel and training request, I would like to make some overall observations.

The Chief of Naval Operations made two principal points in recent budget testimony which I wish to reinforce here:

- First, that we live in an era of violent peace, characterized by a continuum of potential conflicts and violence
- Second, that the Navy routinely operates in the front lines of this violent peace in our everyday, forward-deployed role world-wide, and provides a demonstrated deterrent value across the entire spectrum of potential conflicts.

It was the recognition of these world conditions and Navy's unique role in support of our National Security Policy that caused this Nation to commit to building a 600 ship, 15 carrier battle group Navy that could execute our Military Strategy of Allied Maritime Superiority.

This force expansion effort began in 1981 and should reach its objective in 1989. Since we are now at the mid-point, it seems appropriate at this time to step back and examine our progress from the longer term perspective. How far have we come? How far do we have to go? Are we on course? Are we ahead or behind track?

In terms of hardware, the 600 ship Navy is a reality. By the end of FY-85 we will have 542 ships in the fleet and another 78 under construction or on contract. We will attain the 600 ship Navy in FY-89. Active, reserve and civilian manning levels must keep pace with the hardware that has now been bought and paid for. How well we are doing in this regard will be the focus of my review.

In 1981, in order to plan for the support of a Navy whose forces would increase from about 480 ships to 600, we knew we would have to accomplish the following:

- Increase our authorized military end strength by about 100,000.
- Recover from the devastating shortages of experienced petty officers which had reached crisis levels by 1980.
- Enlist approximately 100K high quality recruits per year who would become our petty officers of the future.
- Achieve marked improvements in both officer and enlisted retention, particularly those whose skills were also in great demand in the private sector.
- Increase the efficiency of our manpower system by reducing or eliminating those factors, such as attrition, desertion, substance abuse and skill imbalances which ultimately degrade our combat readiness.
- Improve Total Force Management.
- Improve personnel and training policies, practices and capabilities to optimize allocation of scarce resources.
- Demonstrate commitment to improving the living standards and the quality of life for our military personnel and their families.

I will now outline our progress to date in meeting these objectives, briefly discussing where we have been successful and where we have not. This mid-course review will provide a useful back drop for the discussion of the particulars of the FY-86 Budget request that will follow. I will close my statement with a short listing of specific legislative initiatives for which we shall look to the 99th Congress for assistance and support.

II. 1981-1989 MID-COURSE REVIEW

100K END STRENGTH INCREASE

The crux of our plan to increase overall Navy military manpower levels was to achieve modest increases each year to both man our new ships and squadrons as they came on-line, and simultaneously increase our base of experienced petty officers in order to man and support a substantially larger Navy by the end of the decade. In 1981, our long term program anticipated that by FY 85 we would have an active military end strength of 608,425. When you note our end strength for FY-85, it is obvious that we have not obtained Congressional approval for this entire growth. Figure 1 summarizes Congressional action on our last three end strength requests.

Figure 1

Active Military End-Strength

PRES	BUDGET	AUTHORIZED	DIFFERENCE
FY-83	569,200	560,300	-8,900
FY-84	572,200	564,800	-7,400
FY-85	575,300	571,300	-4,000

This reduced growth is causing problems that are becoming increasingly acute. I would like to briefly discuss them.

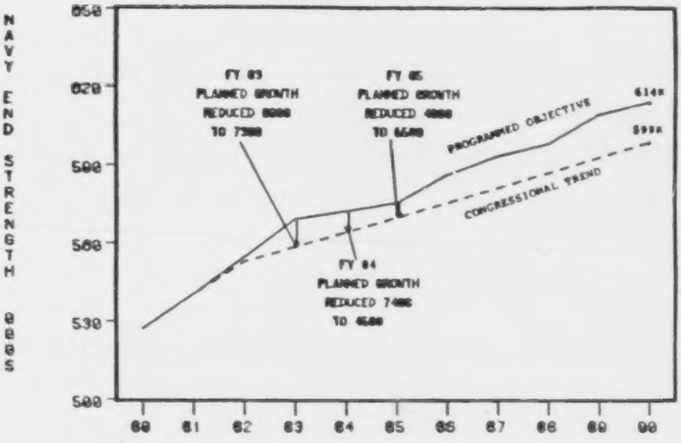
History clearly shows the devastating impact of inadequate manning on the readiness of our ships and squadrons. Consequently, we have absorbed strength cuts by restricting our shore and support growth to nearly zero. Although we concentrated our constrained personnel assets in fleet units to achieve the highest possible fleet readiness during this period, we cannot continue to degrade the maintenance, training, medical and logistics support that operating units require to accomplish their missions. Stated simply, we have reached the point where fleet readiness will be hurt more by not maintaining adequate shore support. This factor assumes greater significance when one considers that our newer ships were specifically designed to be less manpower intensive by assigning a larger portion of routine repair and maintenance to intermediate and depot repair activities ashore. As we restrict support manning, we are putting the material readiness of these ships at risk.

Because of the Navy's vital role in support of National Security, we are committed to properly manning and supporting a 600 ship Navy by 1989; however, we cannot do so if our strength requests continue to be reduced. Figure 2 shows the projected trend should the Congress continue to restrict growth. As can be seen, the Navy will be significantly below the total programmed objective in FY-89, creating a critical inventory shortfall and denying us the base from which to grow petty officers. Again, we have reached the point where we must now start to protect our shore growth; future cuts will have to be balanced between fleet and fleet support. Inadequate manning, whether shore or fleet, reduces readiness and increases material casualties and accidents. There is no alternative to adequate manning with an experienced force.

Navy end strength is increased through a combination of recruiting and retention. Strength cuts necessitate a reduction in one or both sources. Because of the need to overcome the

Figure 2

NAVY END STRENGTH



FISCAL YEAR

FY-86 President's Budget Strength Profile
(E/S in 000s)

FY-85	FY-86	FY-87	FY-88	FY-89	FY-90
571.3	586.3	593.6	598.1	609.3	614.1

Navy Ship Battle Forces

FY-85	FY-86	FY-87	FY-88	FY-89	FY-90
542	555	565	586	605	605

petty officer shortage of the past, to provide the experience levels to support additional ships and squadrons, and to protect our investment in previously trained personnel, we have opted to maximize retention opportunities. Strength cuts, therefore, have resulted in a reduced number of new accessions, which means we have fewer first term personnel. These are our petty officers of the future. Continuing on this course will return us to the petty officer imbalance of the past. Navy needs a balanced growth both in new accessions and retention of our experienced personnel.

If I had to label one issue as the most important for this year, it would be the necessity to regain our position on the manpower growth curve.

Recruiting

The recruiting challenge facing us in 1981 was to capitalize on the more competitive military pay levels and the increasingly favorable perception of military service to attract the number and quality of new recruits we required for a growing and increasingly complex Navy. Numerically, this meant accessing about 100K high quality enlisted recruits per year over the long term.

We recognized that a less than robust economy would work in our favor for the short term, but that a declining youth population throughout the 80's was going to make recruiting increasingly difficult as the decade progressed. Our experience of the past few years has confirmed those projections. On balance, we have been successful, as figure 3 illustrates.

Figure 3

USN NAVY ENLISTED RECRUITING
QUANTITATIVE RESULTS (1)

	FY-75	FY-76	FY-77	FY-78	FY-79	FY-80(2)	FY-81	FY-82	FY-83	FY-84
GOAL	113,120	103,323	116,314	94,735	93,300	99,200	106,330	94,793	84,788	83,907
ATTAINED	113,027	103,367	111,557	89,009	80,345	99,331	106,322	94,793	84,788	82,907
PERCENT ATTAINED	100.0	100.3	95.9	94.0	86.1	100.1	100.1	100.0	100.0	100.0

QUALITATIVE RESULTS (3)

	FY-75	FY-76	FY-77	FY-78	FY-79	FY-80(2)	FY-81	FY-82	FY-83	FY-84
HSG (4)	76.0%	84.1%	79.6%	83.3%	84.0%	83.6%	87.3%	86.0%	90.0%	90.3%
HSDG	70.6%	74.5%	72.6%	77.1%	77.6%	74.8%	75.0%	78.7%	81.1%	83.0%
MGI-IIIU (5)	68.0%	56.6%	72.3%	56.6%	71.0%	75.6%	64.3%	63.8%	70.1%	64.7%

NOTES

(1) Includes all prior service and non prior service active duty male and female accessions

(2) Revised recruiting policy implemented. Non prior service male accession to be 70% Mental Group I, II and IIIU vice 70% HSDG

(3) Qualitative results are percents of non prior service active duty accessions

(4) High school graduates (HSG) include diploma graduates (HSDG) and those personnel who validate a high school education as a result of testing or have completed an accredited home study course

(5) FY-81 and later figures reflect renormed ASVAB data.

We closed FY-84 with continued recruiting success. Fifty-eight consecutive months of goal attainment with highly qualified recruits have ensured a bright prospect for the junior enlisted component of fleet manning for the immediate future. Of the seventy thousand non-prior service males who joined the Navy in FY-84, over ninety-two percent were high school diploma graduates and nearly seventy percent were classified in the upper mental groups on the Armed Service Vocational Aptitude Battery.

I would like to point out, however, that over 49 percent of these accessions had been in our Delayed Entry Program (DEP) and were actually recruited in FY-83 when the economy was more favorable toward our efforts. Contracts actually written during FY-84 are of lesser quality (65 vice 73 percent upper mental group) than those in the DEP at the beginning of the year. There are unmistakable signs that the predictions of a tough FY-85, made in last year's report, were accurate. FY-86 will be even tougher. The sustained economic recovery, coupled with the downward curve in the available market, will probably result in next year's report showing sufficient numbers, but of lesser quality than the high water mark of FY-84. I cannot over-emphasize the importance of the quality dimension. Those of you who have visited our ships and aircraft squadrons recognize their technical complexity. We need highly capable technicians to maintain and operate state-of-the-art platforms and systems. To match the Soviet Navy's sizeable numerical advantage, we must have a qualitative edge. Such qualitative superiority demands highly capable personnel.

We recruited a high number of these qualified personnel in FY-83 and FY-84. The high retention rates and concomitant reduction of quantitative recruiting goals allowed a strong focus on increased accession quality. Although this was an attractive position to be in after years of unsatisfactory retention, suppressing our recruiting effort risks establishing an inadequate manpower base from which to grow our petty officers of the future.

Personnel Readiness

In 1981 readiness degradation attributable to personnel shortfalls was our most serious problem. Central to the problem was a decline in the experience level of our mid-grade petty officers since the mid-70's time frame. For example, we had about 23,000 fewer petty officers with over 10 years of service in 1981 than we had in 1974. Coupling this lack of experience with acute shortages in electronic, propulsion and nuclear-trained ratings presented an intolerable situation. We took such actions as sea tour extensions, shore tour reductions and beefing up deploying ships with personnel assets from ships in between deployments to improve our manning in the short term. Although these actions were successful, we knew that a long term solution hinged on our ability to increase our experience levels through marked retention improvements. With your help, we have increased the personnel experience and manning levels of our ships and squadrons, which in turn, have produced readiness improvements. Over the past four years, our career enlisted force experience level has risen over 27 percent. The data below displays readiness and manning level improvements.

Figure 4

Ship/Squadron Personnel Readiness

% Ships/Squadrons Not Ready/Marginally Not Ready Due Personnel

	1980	1984
Ships	52.5%	6.4%
Squadrons	70.6%	32.3%

Figure 5

Sea Manning

Percent Manning/Authorizations to Requirements

	1980	1984
Ships	83%	92%
Squadrons	86%	93%

The preceding data demonstrates our success in recovering from substantial personnel deficits during a period when the number of ships and squadrons was steadily increasing.

As our experience levels and petty officer inventories increased, we were able to focus more management attention on balancing inventories. Specifically, this meant insuring that we were not recovering from our deficits in the aggregate, but creating over-manning in some skill areas while shortfalls in other skills continued. By careful monitoring of our advancement, skill entry, and reenlistment policies we have corrected imbalances to the point where at the end of FY-84 we had 6 over-manned and 29 under-manned ratings out of a total of 101. Our remaining challenge is to increase our inventories in the under-manned ratings.

Nuclear Officer Shortage

For the past decade, our most serious officer readiness problem has been maintaining an adequate inventory of nuclear trained officers. These shortages have resulted from many years of falling short in accessing sufficient candidates to undergo nuclear training, our inability to retain enough junior and mid-grade officers, and difficulty in competing with industry for our more experienced officers.

As we have outlined in previous years, inadequate inventories mean that our nuclear trained officers spend most of their careers at sea. Currently, by the time they have served 20 years, 14 years have been spent at sea. This inordinate amount of sea duty and family separation makes it difficult to retain them for a full career, which further exacerbates the inventory problem. While the 1981 increases in nuclear bonus levels, submarine pay and sea pay have led to improved junior officer retention, our earlier problems at the junior and mid-grade level have migrated to the more senior pay-grades. We currently face serious shortages of these experienced (LCDR through CAPT) officers. These officers are required as afloat Department Heads, Executive Officers, and Commanding Officers, and for key shore billets involving nuclear propulsion plant safety and direct support of fleet readiness. Because of the unique qualifications required to fill these billets, we have no flexibility in terms of assigning officers from other communities to these positions. With an 18 percent shortage at the end of FY-84, sea billets are kept filled by extending sea tour lengths and assigning most officers back-to-back sea tours. Because of these undesirable actions, some critical shore billets go unmanned. From a readiness perspective, this shortage means that we simply do not have the personnel assets to adequately man our senior nuclear officer billets afloat and ashore. Unless we correct this problem, readiness will suffer.

Within this overall shortage of nuclear trained officers, we have a particularly acute shortage of experienced post-command submarine officers. This shortage is projected to grow from 8 percent in FY-84 to 22 percent in FY-90. These officers are essential for manning major sea command billets (Trident Submarines, Submarine Tenders, and Submarine Squadrons). Additionally, their expertise is indispensable in key shore billets involving submarine force operations and safety, strategic planning, tactical development, and program management. The changes to Nuclear Officer Incentive Pay and Submarine Pay in the Military Pay and Allowances Benefits Act of 1980 proved the effectiveness of these pays to reduce inventory shortages. Since 1980 their incentive value has eroded and their structure is no longer adequate to address the growing experienced officer shortage. We have submitted urgently needed legislative proposals, which I will discuss in more detail later in this statement, to modify Nuclear Officer Incentive Pay and Submarine Duty Incentive Pay as a more effective means of addressing these inventory problems.

Retention Improvement

Our greatest success story over the past four years has been our dramatic improvement in retaining petty officers. Improvements in officer retention, although not as impressive as the enlisted statistics, have also been most heartening. As I discussed earlier, the combat readiness of our ships and squadrons had fallen drastically due to personnel deficits. Improving retention was the long term solution.

Enlisted Retention

Our primary vehicle for simultaneously recovering from the legacy of petty officer deficits while growing our inventories to support a larger Navy is improved enlisted retention. Our goals and accomplishments are displayed in Figure 6.

Figure 6

Enlisted Retention

	FY-81		FY-82		FY-83		FY-84		FY-85
	Goal/Attn		Goal/Attn		Goal/Attn		Goal/Attn		Goal
First Term	44%	42%	47%	50%	49%	56%	50%	58%	58%
Second Term	52%	57%	67%	63%	63%	65%	65%	64%	66%
Third and Beyond	94%	94%	98%	95%	96%	97%	95%	95%	95%

There are several obvious reasons for our retention progress: A more competitive compensation package, particularly the effectiveness of our reenlistment bonus program; an increasing appreciation throughout our society for the indispensable contribution of our military men and women; the renewal of pride and professionalism throughout the Navy, and an improved quality of life for our service members and their families.

There is also a more subtle, but equally important reason for our success. In 1980 we were caught in a downward retention spiral. Inadequate pay had, over time, produced cumulative recruiting and retention shortfalls, which in turn led to unavoidable ship and squadron manning problems. To compensate, we had to increase sea tours and supervisory workload, which further aggravated the retention problem. It is not surprising that large numbers of our people opted for higher paying and less demanding opportunities in the civilian sector. For the past few years we have benefited from the reverse of this spiraling effect. As our inventories increased, we stabilized sea/shore rotation and were able to provide a more reasonable working environment in our ships and squadrons.

The point we would make about this cyclical nature of retention is that we must be extremely sensitive to any change in the trend we have experienced for the past few years. From recent experience we know that it is extremely difficult and expensive to stem a downward spiral, and to recover from the most damaging effect of all - decreased combat readiness.

Officer Retention

Achieving Improved officer retention presented many of the same challenges we faced with the enlisted force. Although inadequate compensation was most often cited as the primary reason for leaving the Navy, there were several other factors that were causing large numbers of our best junior and mid-grade officers to opt for civilian careers. These factors included the frustration of trying to accomplish their mission without adequate personnel or material resources, little recognition for the personal sacrifice they were making in the service of their country, and the perception that the future did not seem much brighter. This situation was particularly acute in those officer communities, such as our nuclear-trained officers and aviators, where lucrative civilian opportunities were abundant. Primarily because of Congressional action in 1980 and sustained by Congressional and Administration action beginning in 1981, we were able to stem the exodus and slowly rebuild our officer corps. Figure seven displays our goals and results in officer retention.

Figure 7

Officer Retention

	FY-81		FY-82		FY-83		FY-84		FY-85	
	Goal/Attn		Goal/Attn		Goal/Attn		Goal/Attn		Goal	/Proj
Surface Warfare	60%	42%	49%	43%	48%	44%	52%	50%	49%	47%
Nuclear Surface	68%	33%	58%	21%	63%	45%	66%	42%	78%	38%
Pilot	60%	42%	60%	49%	60%	58%	60%	56%	60%	53%
NFO	60%	65%	68%	73%	73%	74%	79%	81%	75%	75%
Nuclear Submarine	56%	33%	63%	39%	57%	46%	60%	47%	55%	45%

Nuclear Officer Retention

The consistent attainment of nuclear junior officer retention goals is absolutely fundamental to our ability to eliminate existing shortages and maintain sufficient inventories in the long-term. When nuclear officer retention goals are not met, officer at-sea department head tours are extended and shore duty tours are eliminated in order to keep nuclear powered ships and submarines fully manned.

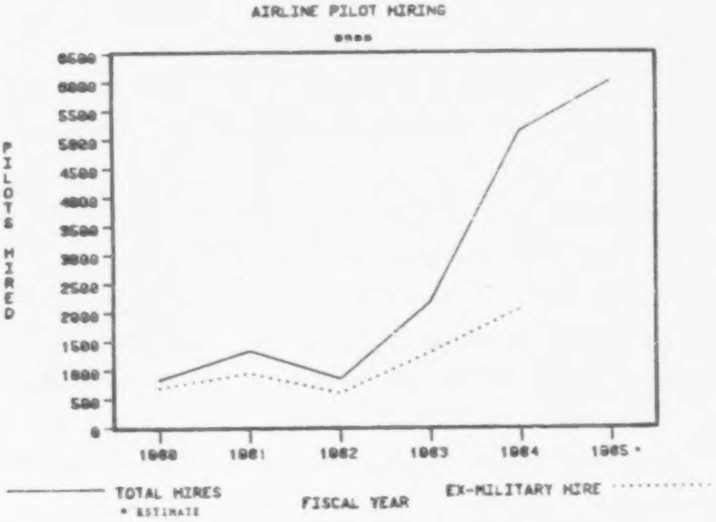
For several years nuclear officer retention responded well to the Congressional programs enacted in 1980. Retention rates, although still short of required rates, improved significantly, and the positive trend was encouraging. Now, we have begun to see the first indications of a reversal to this positive trend. The number of officers submitting resignations in 1984 rose dramatically, and resignations in 1985 are exceeding 1984 levels. Of even greater concern is the number of resignations submitted compared to community size. This percentage has returned to or exceeded FY-81 levels for both nuclear surface and submarine officers.

The shortage of experienced nuclear officers is already severe, retention rates are still short of requirements, and now the trend is again negative, erasing the gains achieved following 1980. Unless immediate action is taken to enhance the effectiveness of Nuclear Officer Incentive Pay, we will be unable to grow the required future inventories of experienced nuclear officers.

Retention of Naval Aviators

In 1981 we were about 2,500 pilots short in the grades of Commander and below, a deficit caused by several years of low pilot retention. The Aviation Officer Continuation Pay bonus program has been responsible for dramatically reducing this shortage, with retention steadily increasing from a low of 30% in FY-80 to a high of 58% in FY-83. Retention however, declined slightly in FY-84 to 56%. Even more alarming is the 75% increase in pilot resignations in FY-84 over FY-83 (328 vs 188). So far this year pilot resignations have continued this disturbing trend. We attribute this trend to an overall improving economy, and substantial expansion in airline hiring, which is illustrated in the chart that follows.

Figure 8



We have felt these pilot losses most acutely in our carrier based tactical aviation and land based fixed wing communities. For example, of 986 pilots from these communities eligible for the Aviation Bonus in 1984, only 442 (45%) opted to obligate for additional service by accepting the bonus. This is down from an 85% acceptance rate among junior aviators in FY-81. The Aviation Bonus is losing its effectiveness as a retention tool. We have proposed legislation, which I will discuss in more detail later in this statement, to restore the effectiveness of this bonus program.

Reducing Negative Influences

There are several factors which adversely impact on readiness, and work counter to any plan to meet expanded requirements. These factors include attrition, desertion and substance abuse. In addition to the positive actions noted above with respect to recruiting and retention, complementary actions have been vigorously pursued that will continue to reduce those factors which negatively influence the efficiency of our personnel system.

Attrition and Desertion

Improved recruiting and retention rates have enabled us to improve the quality of the force by separating personnel whose professional or personal performance does not contribute to command readiness. Many of these separations are a direct result of the renewal of our commitment to "pride and professionalism" and our zero tolerance substance abuse policy. First term attrition numbers have remained relatively steady for the past three years. Since 1981 we have separated junior personnel, whose performance was below standards and who showed little potential for improvement, from the Navy without adverse consequences (Project Upgrade). We have made great progress in the quality of our force through these actions. Lower absence and desertion rates are a reflection of this quality improvement.

Unauthorized absence and desertion rates have steadily declined over the last five years. Arduous shipboard working and living conditions, coupled with extended periods at sea and inadequate levels of supervision and leadership caused by shortages of experienced petty officers, increase the propensity for sailors to go UA or desert. Conditions in the fleet during the mid to late 1970s accentuated all of these problem areas and the result was an unprecedented high level of unauthorized absence and desertion. The recruiting, retention and quality improvements of the 1980s have all directly contributed to the dramatic improvements depicted below:

FIGURE 9

Comparison of FY-80 and FY-84 UA and Desertion Rates

	FY-80	Rate/1000*	FY-84	Rate/1000*
UA	37,548	82.0	21,662	43.5
Desertion	12,131	27.0	5,752	11.6

*Rate/1000 based on average strength.

Substance Abuse

A policy of "zero tolerance" coupled with state-of-the-art procedures for detection and deterrence have proven to be highly effective weapons in winning the War on Drugs. Our emphasis on fitness and wellness has also had a positive impact on the continuing decline in substance abuse. Our most recent data, gathered during the FY-84 random urinalysis survey, indicates that the level of marijuana/hashish usage among junior enlisted personnel (E1-E5) is now 10.4 percent, a dramatic decline from the 48 percent level recorded in 1980. We will continue to maintain strong emphasis on detection and deterrence through our proven Navy-wide urinalysis program. In addition, new initiatives to detect other drugs (e.g

LSD) are being aggressively pursued. We are now entering a renewed prevention education phase to sustain our zero tolerance policy. This education includes a new General Military Training (GMT) plan, a more intense Navy Substance Abuse Prevention Program (NASAPP), and a pilot for an eight-hour Supervisor's Substance Abuse Workshop.

Navy Total Force Management Improvements

The primary concern in setting the proper mix of Active and Reserve forces is the maintenance of the level of readiness necessary to meet peacetime commitments and war plan requirements. Historically, our maritime strategy has been one of forward deployment. This strategy necessitates the continuous overseas presence of a significant portion of the fleet in peacetime, and requires that our units be maintained in a high state of combat readiness. While a large percentage of Army and Air Force units are required to forward deploy in strength only after mobilization, U.S. maritime strategy calls for a forward deployed combat ready fleet in peacetime. This basic distinction between the Services is fundamental to understanding the differences in policy with respect to the judicious employment of Reserve forces.

Within the context of Navy Total Force development, the Chief of Naval Operations has institutionalized the Active/Reserve Mix planning efforts undertaken last year. A permanent flag officer billet has been established to serve as Total Force Advocate. His responsibility is to continually assess the Navy's force structure to determine the optimum mix of Active and Reserve component units to meet war fighting needs. With analytical support from the Center for Naval Analyses, he and his staff evaluate potential changes in Total Force composition to determine whether the Naval Reserve can shoulder a larger share of naval operations in peacetime (thus relieving pressure for growth of active duty end strength), and whether the Naval

Reserve will be properly trained and equipped to conduct prompt and sustained combat operations in wartime.

The civilian work force is another important segment of Navy's Total Force Management Program. Civilian manpower provides vital maintenance and support to our peacetime and wartime military mission.

Reserve Military Manpower

The gap between peacetime capability and wartime requirements must be filled with qualified Reserve units and individuals. The major function of the Naval Reserve in peacetime is to train for a high state of readiness upon mobilization. Initiatives to strengthen the Naval Reserve Training Program are underway. They include development of a new Surface Reserve Training Plan, formal inclusion of Reserve Training Requirements in the Navy Training Plans Process, and the expanded use of Active Reserve Training facilities on weekends by Selected Reservists.

The phrase "mutual support" has been adopted to describe those Naval Reserve training evolutions which also provide direct assistance to active duty units in the performance of their missions. Examples are CONUS air logistics support, air tanker services, pre-deployment air combat refresher training, fleet intelligence production, fleet exercise support, ship intermediate level maintenance, cargo handling support, construction support, chaplain and medical support, and security group signal analysis.

The Naval Reserve is embarked on its most ambitious expansion effort in recent history. With your encouragement and support, Selected Reserve strength, including Training and Administration, Reservists (TARS), will grow from 97,000 in FY-80 to 129,000 by the end of FY-85, a 33 percent increase. In order to better manage this growing force, strength planning and Selected Reserve community management functions will be assumed by the Commander, Naval Reserve Force commencing in June, 1985 The ability to project Selected Reserve strength requirements and manage individual rating specific communities will prove invaluable to obtaining maximum utilization of manpower assets. Officer strength planning has been expanded to include the Selected Reserve. Using Navy Manpower Mobilization System (NAMMOS) requirements as a base, plans are being developed which will provide a valuable tool for Reserve budgeting and accession planning.

We are expanding the TAR community for the express purpose of achieving the proper Active Duty/Selected Reserve Mix This expansion will enable the Naval Reserve, particularly NRF ships to achieve maximum operability while at the same time providing optimum training to assigned Reservists. For the first time in the 32 year history of the TAR Program, we are commissioning Ensigns into the TAR officer community for assignment at sea to meet junior officer requirements of Naval Reserve Force (NRF) ships. The primary accession source is the Merchant Marine Academies.

The Sea and Air Mariner (SAM) program has proven important in fulfilling junior enlisted personnel mobilization requirements. The SAM program provides 10,000 non-prior service accessions annually, to satisfy E-4 and below requirements for NRF ships, aircraft squadrons, Ship Intermediate Maintenance Activities (SIMAs), Seabees and medical units.

A counterpart officer program, OSAM, was initiated this fiscal year with a first year goal of accessing 75 junior officers to serve a maximum two year active duty obligation and return directly to the Selective Reserve and a four year drilling obligation. Both of these programs are aimed at strengthening the base from which the Naval Reserve must grow.

Civilian Manpower

Civilian manpower comprises a vital segment of the Navy's overall resources. The majority of Navy civilian employees are assigned tasks directly related to our readiness posture. More than half of them work in industrial activities comprising a wide-ranging spectrum of depot maintenance and repair, engineering, RDT&E, printing, public works and transportation functions essential to Fleet readiness. Many of the Navy's civilians employed at operational and maintenance activities perform essential readiness support in supply centers, air stations and ship repair facilities. The balance of our civilians provide essential support in functions such as training, medical, engineering, development and acquisition which have a significant, although longer range impact on readiness.

During the two preceding fiscal years, only Navy's industrially-funded activities -- depots, shipyards, etc., -- were exempted by the Congress from ceilings. We benefited from this exemption in several ways. We achieved:

-- Greater ability to respond to unexpected workload changes,
-- Elimination of the need to temporarily drop workers from the rolls to avoid exceeding ceilings, and
-- Freedom to place more emphasis on employee training and contract monitoring.

The benefits derived from exemption from ceiling constraints at Industrial Activities demonstrate the positive results that can be achieved in the efficient utilization of civilian manpower.

FY-85 Congressional action extended the exemption from end strength ceiling controls to all civilian manpower requirements. This provision allows the management of civilian employment through more flexible fiscal controls linked to authorized programs. Civilian employment levels will now be determined by the level of funded programs and associated workload approved by the Congress.

The Navy welcomes the added flexibility that the waiver of statutory end-strength provides in the management of civilian resources and strongly supports the continuation of the civilian ceiling exemption.

We are committed to increasing the efficiency of our civilian work force. Efforts in this area include the Commercial Activities (CA) and Efficiency Review (ER) programs, and the Navy Lab Personnel Management Demonstration Project.

Under the Commercial Activities (CA) program, we are conducting cost studies using OMB Circular A-76 procedures to determine whether performance of these functions is more cost-effective when performed under contract or by utilizing in-house resources. During the period FY-79 through FY-84, we have conducted cost studies of commercial functions involving some 1,200 military and 15,000 civilian personnel. Following these studies, contracts were awarded which resulted in savings of 1,000 military and 6,700 civilian spaces. Associated dollar savings to the government totalled $107 million over the same period. Additional savings of 200 military and 800 civilian personnel resulted from cost studies indicating in-house performance of workload was more economical to the government. Studies covering a total of 4,500 military and civilian positions annually are planned in both FY-85 and FY-86. In accordance with Congressional direction, actual savings are reflected in the budget, whereas projected savings are not included.

We are applying procedures similar to those of the Commercial Activities Program to those activities exempt from competition with the private sector. This effort comprises the Efficiency Review Program. Under it, teams of analysts examine our manpower and material resources and review existing processes, procedures and organizational structures. Their objective is to identify and implement improvements in the performance of shore functions and to develop the most efficient organizations achievable. The goal is to minimize the costs for a given function so that manpower and other resources can be reassigned to other jobs. The FY-86 submission incorporates anticipated savings of 500 civilian positions under the ER program in FY-86. Total Navy ER savings through FY-86 amount to 1,500 civilian positions inclusive of previous ER efforts which have reduced the overall level of civilian manpower requirements.

We are particularly enthusiastic about the results of a demonstration project we have been testing since 1980 at two Navy laboratories in California. This project, which tests a simpler, more flexible approach to job classification and performance-based actions, was extended by the 98TH Congress until 1990. The savings in management time under this system have contributed to the overall productivity of the two test labs and, in our view, deserve serious consideration as a blueprint for Government-wide changes in personnel management.

During this coming year, the civilian retirement program will be reviewed. This is an important compensation component for our civilian employees. Changes to the civilian retirement program must be carefully reviewed to insure that we do not lose our ability to maintain this vital segment of Navy's overall resources.

Management Improvements

We have reexamined our manpower, personnel and training management policies and practices to ensure that the methods by which we do business are supportive of our objective of improving personnel readiness while keeping pace with force structure growth. As a result, we have achieved significant improvements

Manpower Requirements Determination

In order to improve the use of manpower resources and better quantify our needs, the Navy Manpower Engineering Program (NAVMEP) was developed to coordinate all manpower requirements determination for the U.S. Navy. The best aspects of several manpower programs have been consolidated under NAVMEP. These include the Ship and Squadron Manpower Document Programs; the Efficiency Review (ER) Program; the streamlined Shore Manpower Document Program (SHMD), and the Commercial Activities (CA) Program. The major impact of NAVMEP will be in the development of manpower requirements for shore activities. NAVMEP will accelerate this process and will result in 100 percent coverage of the shore establishment by December 1985. This coverage will initially be achieved using a wide variety of industrial engineering techniques such as staffing standards, manpower estimating models, efficiency review studies and industrial engineering surveys. Over time, the more rigorous of these techniques will be used to iteratively refine our requirements baseline by incorporating efficiencies, thereby increasing readiness. NAVMEP will relate manpower requirements and authorizations to funded programs while identifying more efficient methods of organization and uses of manpower resources.

Information Requirements

During the past two years, there has been increased involvement of manpower, personnel and training functional managers in the identification of information requirements. The management of Manpower, Personnel and Training resources is truly "information dependent." The complex weapons systems being used in the fleet today require lengthy training pipelines that can only be managed with the aid of rapidly accessible, accurate information supported by the latest computer and communications technology. Recently, functional managers concerned with day-to-day operational responsibilities have been taking a lead role in the development of their information requirements with the aid of a structured business planning process which pinpoints information deficiencies from a total information flow perspective. For the first time, managers are able to fully define and understand their total information needs, allowing them, and not their technicians to make critical decisions on employing their information resources.

With the new directions of integrating communication networks and the continued development and installation of standardized Navy-wide automated information systems, our capability of providing pay, personnel, and training information between the fleet, shore stations, and headquarters is being greatly enhanced. The active involvement of MPT managers in determining information requirements will provide significant improvement in the quality and accuracy of information needed to accomplish their missions.

Meeting information requirements for wartime involves the planning, development, and maintenance of procedures and associated data processing programs. Developing manpower systems such as the Manpower Claimants Access Support System (MANCLASS) greatly enhance managers' capability to retrieve and submit manpower authorization, requirements, and budget data to various MPT systems. The latest in computer and communications technology is needed to support maintenance of information concerning the status of the Navy's active duty and Reserve forces, civilian employees, mobilization of inactive members of the Navy, and to facilitate the smooth transition from peacetime to wartime management of the total force.

The PCS Account

An important segment of the personnel budget which heavily impacts personnel management is the Permanent Change of Station (PCS) account. We are committed to doing everything in our power to reduce Permanent Change of Station (PCS) moves to the absolute minimum required to recruit, train, develop and retain the best fighting force possible. For several years we have received successive, and sometimes substantial, reductions to our PCS budget requests. These reductions have required program cuts below planned levels without a full appreciation for long term implications. As a result of these reductions, we have been forced to take management actions that adversely impact on our sailors.

Our PCS requirements are based on a billet structure which is growing increasingly sea intensive. Because the ships are dispersed, the billet structure for many of the sea intensive skills provides a sea to shore billet ratio in excess of ten to one in some locations, far in excess of what would provide a reasonable sea/shore rotation. Because of this mismatch between billets ratios and sea/shore tour ratios, large numbers of our sailors must be moved to locations away from our sea ports upon completion of sea duty and back again upon completion of shore duty. The billet base simply will not allow them sea and shore duty in the same location. The alternative would be to have many sailors serving ashore without a billet in some locations and extensive vacant billets at other locations.

When funding is inadequate we cannot support established sea/shore rotations and overseas tour length policies which we know are vital to good personnel management, retention and morale. Successive reductions below what can be accommodated by program efficiencies have caused us to defer moves from year to year, a management action that has caused the gap between move requirements and funded moves to grow each year and prevented the Navy from executing a properly balanced PCS program.

Our ability to maintain high standards of readiness depends on retaining trained and experienced sailors. This means we must have the flexibility to develop and execute a balanced PCS program that includes correcting manning imbalances and providing reenlistment incentives for choice of duty, reasonable sea tours and training opportunities. We need congressional understanding and support for our PCS funding request to meet all these objectives.

Women in the Navy

During the past five years, women in the Navy have increased in both numbers and job diversity. The numerical increases are illustrated below:

FIGURE 10

Women End Strength

	FY-80	FY-84	FY-85*
Enlisted End Strength	29,806	42,258	44,300
% of all enlisted	6.5%	8.4%	8.9%
Officer End Strength	4,877	6,606	6,860
% of all officers	7.7%	9.4%	9.7%

* End FY-85 Projection

The Women In Ships program has continued to grow with a projected total of about 200 officers on 34 ships and over 5,000 enlisted women on 36 ships by the end of this fiscal year. This reflects an increase of approximately 4,000 women serving in permanent shipboard assignments over FY-80.

During FY-84, the Navy expanded Temporary Additional Duty (TAD) opportunity for women Helicopter Pilots and Explosive Ordnance Disposal (EOD) officers, among others, to vessels operating within SIXTH and SEVENTH Fleets. In addition, Navy recently expanded its utilization of enlisted women in a ground support role in all 24 operational VP squadrons.

Because women are restricted by law from permanent assignment to combatant ships and aircraft, diversified employment in the CONUS and overseas shore establishments, as well as expanded Temporary Duty opportunities at sea, provide the primary avenues for additional career opportunities for Navy women. As Navy approaches its women end strength goals (which are derived from sea/shore rotation requirements), management initiatives have increasingly focused on providing individuals with opportunities for career enhancing assignments leading to upward mobility, increased leadership responsibilities and the ultimate achievement of a rewarding Navy career.

Career paths for women Surface Warfare Officers have been revised to provide additional experience at the Post-Department Head level ashore as partial compensation for the lack of available senior shipboard billets to which women may be assigned. Initiatives are also being developed to provide increased opportunity for women Surface Warfare Officers to serve in shore Command and Executive Officer billets.

Navy's commitment to increased employment of women plays an important part in our ability to man the 600 ship Navy.

Equal Opportunity

The Navy is deeply committed to a strong equal opportunity program. In the early 1970's, we initiated an intensive program to establish and maintain equal opportunity for all. As a result, minority officer composition has increased from less than 1 percent in 1970 to 8.1 percent this year. Today there are more than 3,000 Black and Hispanic officers in the Navy, four of whom hold flag rank. Minority enlistment composition has more than doubled from 1970 to 1984, from less than 10 percent to almost 22 percent, the approximate percentage of minorities in the population. Reenlistment rates for minorities now exceed the Navy-wide average.

Today, our efforts are directed at institutionalizing the Equal Opportunity gains made to date. Long a subject of special training programs, indoctrination and highly trained specialists, Equal Opportunity will now receive an added dimension through enhanced emphasis on the chain of command. Command Managed Equal Opportunity capitalizes on the ultimate responsibility of the commanding officer to ensure full development of each individual's potential.

Training and Education Initiatives

Training imparts skills, and one of our foremost objectives is to continue the progress the Navy has made toward more effective training for both individuals and military units. The quality of military training is generally high, but better management and support can create further improvements. To meet this need, the following initiatives in Navy training management are underway:

The Navy's Training Strategy now focuses on ten major objectives which place appropriate emphasis on training and assign specific responsibilities to major commands for implementation. All other policy documents will be made to conform with this "umbrella" directive.

- We have instituted a major headquarters staff reorganization to more effectively manage total Navy training. Within the CNO Staff there is now a Division, headed by a Rear Admiral, that is dedicated to managing the Navy training and education effort, including resource management, standardization and control of training device acquisition and management, identification of requirements in the early stages of Weapons System Acquisition, and the development of Training Continuums (full career training plans) for all warfare mission area ratings.

- The role of the Training Resources Panel has been reestablished and strengthened. It now meets three times yearly to identify and track important training resource related issues and resolve them through the programming and budget process.

- We have instituted a formal Fleet Training Assessment Program, or FLETAP, to track and resolve training discrepancies in the fleet. This system is planned to be not only responsive to the correction of training deficiencies, but also to become a pro-active link to assess fleet training, and to provide fleet evaluation of schoolhouse output.

- We have expanded our efforts to eliminate training redundancy and are tailoring each segment of training to individual needs at specific career points. Our emphasis on training management will yield cost-effective increases in warfighting capability.

Education

There can be no better investment in the potential of our men and women in uniform than to provide the opportunity for education. We are placing additional emphasis on our off-duty education program, the Navy Campus, as an integral part of military life. The Educational Assistance Act of 1984 carries on the tradition of the old G.I. Bill in providing an educational entitlement for honorable service to one's country.

Research and Development

We have developed a new MPT research and development program structure and master plan designed to provide Navy guidance to our performing scientists. The R&D Master Plan will provide more productive use of R&D products by strengthening the link between resource sponsors, eventual product users, and laboratory scientists We are optimistic that this approach will facilitate the successful transition of R&D products from the laboratory to the field

Quality of Life Improvements

I would now like to move from the discussion of management improvements and say a few words about the progress we have made in the quality of life for our personnel.

The Quality of Life program focuses on improving operational readiness by assisting our members in meeting their personal needs and family responsibilities. The welfare of our personnel and their families is critical to our success in achieving and maintaining a fully manned force. The geographic instability and family separation which are part of a naval career make availability of sufficient housing, recreational facilities, commissaries, hospitals, and family support services crucial to maintaining the standard of living and morale of our men and women. Sailors are required to spend a great deal of their time at sea and are frequently unable to be with their families in time of need. Each day the Navy has the equivalent of 86,000 single parents while their spouses are at sea. We have and must continue to dedicate appropriated funding to upgrade child care and youth programs so that our sailors may be secure in the knowledge that their families are well cared for while they are away from home. In order to offset the hardships indigenous to Navy life, it is necessary that we make every effort to achieve and maintain a quality of life equivalent to that of the society we expect our personnel to protect.

Family Support Program

Since 1960 the percentage of married military personnel has increased from 30% to 55%. We may recruit sailors, but we retain families. Our Family Support Program has two major elements: the Family Service Centers and the Family Advocacy Program. Each is designed to assist our personnel and their families with some of the unique problems inherent in military service. We will have a network of 62 Centers in operation worldwide, and will be within reach of 85% of our active duty population by the end of FY-85. During FY-84, we responded to over 725,000 requests for help in relocating, deployment assistance, financial education, spouse employment and family assistance.

FIGURE 11

Family Service Centers in Operation FY 80-90

FY-80	FY-81	FY-82	FY-83	FY-84	FY-85	FY-86	FY 87-90
0	8	22	38	58	62	64	69

Navy's Family Advocacy Program is targeted at the prevention of and intervention in family violence situations. Recent national statistics indicate an increase in reported incidents of child and spouse abuse, neglect, sexual assault and rape. Our ability to deal with these problems is integral to an effective quality of life program. We are proud of our progress in these areas as neither of these important programs even existed in 1980.

Housing

Although our primary reliance for the provision of housing lies within the civilian community, there are occasions and locations where the community is unable to meet our needs and we must augment the supply through construction or other initiatives.

We will build 558 units of Military Family Housing in FY-85. New Congressional test programs, such as Section 801/802 leasing and rental guarantee programs, could provide Navy with up to an additional 1,200 units by FY-88. Our long range construction plan will reduce our current buildable deficit of 12,500 units to 3,500 units by FY-90.

Additionally, since about 80% of our housing inventory is 15 years and older, we are placing increased emphasis on modernizing Navy quarters in order to provide living conditions for members and their families comparable to that found in the private community.

To care for our unmarried members, we have increased the Bachelors Quarters construction program requests from 2,000 spaces per year in FY-80 and 81 to almost 7,000 spaces per year in the last three years.

We are continuing to improve our management assistance and inspection program, and we know this pays great dividends in enhancing the quality of life of our people living in bachelors quarters. We are also developing an automated billeting system that will increase services provided to our patrons and ensure that all spaces are fully utilized.

Morale, Welfare and Recreation (MWR)

There are over 205,000 men and women in the Navy who are 22 years of age or younger. Most of these sailors are single, live onboard ship, and are on duty 60 to 70 hours a week. Shipboard habitability is austere, and, due to space considerations, even our largest ships can accommodate only the most limited forms of recreational activity. Since FY-81 we have spent $2.5 million providing fitness/recreation equipment for ships. However, this represented only 20% of the annual requirements. Even complete upgrade of all ships still cannot fill basic recreation requirements. The recreational facilities at our bases serve to fill this recreational void onboard ship by providing opportunities for sailors to use their spare time ashore more constructively. Adequate appropriated support is now the primary focus in the upgrading of Navy MWR programs. From FY-81 to FY-84, there has been a $47 million increase in appropriated funding for the recreational services elements of the Navy's overall MWR program. We are continuing to pursue initiatives for upgrading the quality of facilities and programs, extending facility operating hours and eliminating patron charges for fitness related activities.

The investment in recreational alternatives is a wise one. It provides constructive alternatives to all forms of substance abuse. It is effective in fighting boredom, and in building healthful life style modifications for sailors as well as their families. We believe that these programs have led to healthier, happier and more productive sailors.

This brings you up to date on our progress at the mid-point of our force expansion effort. I am now going to move to a discussion of what I see as the directions we must take if our objectives are to be met.

III. MID-COURSE CORRECTIONS - The FY-86 Budget Request

As we begin the second half of the eight year transition from 480 to 600 ships, there are several important areas wherein manpower and personnel support for the expanding Navy is not keeping pace with force structure growth. Our FY-86 budget request addresses these shortfalls and allocates resources to enable Navy to meet its personnel commitments at the end of the decade. Relatively small course corrections applied now are more desirable than violent shifts in direction later. While we are well on our way to recovering from the deficits of four years ago, now is the time to make our mid-course corrections.

Strength

Active Military

As I indicated earlier, increasing our authorized active end strength is my highest priority for the FY-86 budget request. Over the past two years we have averaged about a 1% annual strength increase. For the reasons I previously outlined, this has not been enough. Our requested increase of 15,000 active strength for FY-86, an increase of 2.5% over FY-85, is pivotal in reaching our MPN end strength goal of 614,000 by FY-90. As you can see from the table below, this year's request is significantly larger than those we plan for subsequent years. One might ask why we cannot defer some of our growth to subsequent years. There are two very compelling reasons why we cannot. All FY-86 growth goes to fill Fleet and Fleet Support requirements. If we defer adding these billets, we decrease readiness in the very near term. Second is the hard fact that if we need a petty officer for a ship that commissions in the future we cannot create that experience overnight. He must be recruited and trained today for tomorrow's ship. Failure to do so jeopardizes future readiness.

Figure 12

FY 86-90 End Strength Growth

FY-86	FY-87	FY-88	FY-89	FY-90
586,300	593,400	598,100	609,300	614,100

To accommodate reductions in past end strength requests, we have reduced shore support manning and suppressed shore manpower growth to the bare minimum. We cannot afford to continue reductions or defer growth in this vital area. Considerable effort has been expended analyzing manpower alternatives, such as civilian substitution, shifting missions to the Reserve and utilizing private contractors. The budget request reflects this effort and the inescapable conclusion is that we must increase our support strength this year, even if it is at the expense of fleet manning.

In addition, we are beginning to see reversals of recruiting and retention successes of the recent past. The combination of an improving economy and a shrinking national manpower pool will work against us during the next few years. We must take advantage of today's manpower market now to ensure that we can provide the numbers of high quality officers and petty officers we will need tomorrow.

Trained personnel are as integral to new weapons systems as are the equipment that must be operated and maintained. The decision to provide the requisite manpower was implicitly made when hardware procurement decisions were approved. Failure to provide the personnel portion of these new systems at this juncture jeopardizes system effectiveness, introduces costly personnel system inefficiencies and adversely affects combat readiness. Existing units feel the effects of stop gap personnel transfers to provide experienced people for new ships and squadrons by drawing down on existing platforms.

Selected Reserve

Expansion of the Reserve Force is a major component of the growth toward the goal of 600 ships and 15 carrier battle groups. For FY-86, we need an increase of 8,800 in Selected Reserve average strength and 2,763 additional TAR personnel. These increases are necessary to enable the Naval Reserve to grow to meet requirements as quickly as practical. This growth is an integral part of our plan to meet the Navy Manpower Mobilization System (NAMMOS) Requirements for Selected Reservists by the end of FY-88. Reserve Force end-strength growth is illustrated below:

Figure 13

FY 86-90 Reserve Force End-Strength

	FY-86	FY-87	FY-88	FY-89	FY-90
SELRES (including training pipeline)	122,240	130,115	135,273	137,488	137,831
Active Duty Support (TARs)	17,973	20,082	21,787	22,789	23,154
Temporary Active Duty (TEMAC)	1,537	1,518	1,555	1,638	1,230
TOTAL	141,437	151,715	158,615	162,915	162,215
(average strength)	(134,400)	(147,500)	(155,900)	(160,800)	(162,200)

Civilian

Our budget request for 318,675 civilians represents a modest increase of 1,405 above the FY-85 level. This increase provides a balanced relationship between the size of the workforce and planned workload. Staffing increases will support enhanced physical security for bases and stations, improved management and oversight of procurement and facilities acquisition, and medical occupational health and quality assurance. In addition, a number of military positions will be civilianized, thus allowing military personnel to return to more critical military positions which will improve readiness. Other adjustments have been incorporated in industrial activities to ensure that workforce and workload are in balance. Manpower levels for Navy Air Rework Facilities have been increased in consonance with growing workload while manpower levels for shipyards and Public Works Centers have been reduced.

Increase Recruiting Resources

Recruiting success is directly related to the national economy. Therefore, the significant reduction in unemployment over the past year must be countered by additional assets for recruiting. We are firmly committed to maintaining, and increasing as necessary, the resources required to successfully attract the high quality manpower we need for a 600 ship Navy. This means adequate funding to operate our Recruiting Command, substantially more money devoted to national awareness advertising to complement the work of field recruiters, and, most importantly, increased manning of the recruiting force with officers, chief petty officers and petty officers of the highest quality. In the past, we waited for significant failure before playing catch-up ball with recruiting assets. We do not want to make that same mistake again.

With this approach in mind, our FY-86 recruiting request reflects an increase of 350 recruiters, 30 support personnel and $7.5M in operating resources over the FY-85 level to keep pace with changing manpower market conditions.

Compensation and Legislative Issues

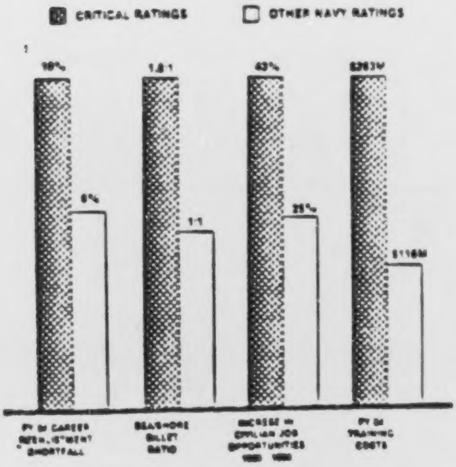
Retention and the Selected Reenlistment Bonus (SRB) Program

Retention is just as important as recruiting in ensuring a force of adequately trained personnel. Accordingly, I must emphasize the importance of the Selective Reenlistment Bonus and other special pays in our retention program. These programs are extremely cost-effective when compared to the replacement cost for the petty officers they retain. Figure 14 provides a particularly telling picture of the need to retain our mission-critical ratings.

These personnel are in short supply today; we are forced to keep them at sea longer, they are in high demand in the private sector; and they are the most costly to train. The Selective Reenlistment Bonus is our most effective retention tool. We estimate that 7,300 petty officers in combat-essential skills would have

Figure 14

COMPARISON OF RATINGS CRITICAL TO READINESS WITH ALL OTHER NAVY RATINGS



left the Navy in the last fiscal year alone without the SRB program. We can directly relate increased SRB to increased retention and manning. We can directly relate increased manning to increased combat readiness. Last year's decision to increase the SRB ceiling from $20K to $30K was an effective, no-cost modification to the program. The increased ceiling is providing more and longer reenlistments in the critical skill ratings. Increasing the 10 percent restriction (no more than 10 percent of bonuses paid may exceed $20K) to 25 percent would increase our flexibility and improve retention of a wider range of mission-critical skills without increasing costs. The management flexibility, proven results in retention and enhanced material readiness, and the relatively small cost of the Selective Reenlistment Bonus make it worthy of continued Congressional support. In the same way, other special pays ensure that a balance of skill and experience are available to fill the proper jobs at the appropriate times. In this regard I ask that you support OSD's legislative recommendations on the Fifth QRMC regarding special and incentive pays.

Nuclear Officer Incentive Pay and Submarine Pay Targeting

As I discussed earlier, our most serious officer personnel problem is the severe shortage of experienced nuclear trained officers. In order to grow future inventories of experienced officers we must provide for consistent achievement of accession goals and attainment of career retention requirements. In the interim, it has become absolutely essential that we retain the maximum possible number of officers in the depleted senior year groups. I am firmly convinced that the only solution to the nuclear officer manning problem is a bonus and special pay package that provides adequate compensation for the immense responsibilities and arduous nature unique to thier career pattern, and which allows us to compete more effectively with the considerable private industry demand for these talented officers. To this end we are proposing legislative modifications to the Nuclear Officer Incentive Pay and Submarine Pay program. The key features of these proposals are:

- Removes the current restriction that allows only one multi-year bonus contract per career.
- Raises bonus ceilings to restore bonus effectiveness.
- Restructure the accession bonus to improve recruiting.
- Revise the Submarine pay table to eliminate the pay cut experienced by officers in submarine command billets.

In terms of its positive impact on fleet readiness and safety, this proposal is a most cost-effective way to attack the problem. I solicit your support for this urgently needed legislation.

Aviation Officer Continuation Pay

To restore the effectiveness of this extremely cost-effective retention tool, we are proposing legislative modifications to the bonus program. Key features are:

- Increase the 6 year contract value from $6,000 to $8,000 per year.
- Eliminate the current restrictions that deny Hazardous Duty Pay and reduce the Aviation Career Incentive Pay (ACIP) for AOCP recipients.
- Widen the bonus eligibility window from a one year to a two year period.

Dental Officer Special Pay

Last year the Congress reduced COPAY by half after 30 June 1985 for Dental Officer specialties manned at 95% or greater unless new legislation is enacted by 30 June 1985. OSD has submitted new legislation which meets the requirements of the House Appropriations Committee to bring this pay into alignment with Medical Special Pay Structure. This legislation will not increase budget requirements. The impact of failure to enact would be serious manning problems in the Navy Dental Officer Community. Of 1,650 dentists on active duty, 244 are retirement eligible and 496 have less than 10 years service. The dental officer community is already 71 officers short of their authorized strength, and the exodus of even 100 of the 740 most likely to leave would have far reaching effects on the dental health of the Navy. In order to prevent this unnecessary crisis, I urge your support for the Armed Forces Dental Officer Special Pay legislation.

DOPMA Grade Ceiling Relief

Since its enactment in 1981, the Defense Officer Personnel Management Act (DOPMA) has proved a viable asset in the management of Navy's officer resources. However, one aspect of DOPMA, the grade ceilings for LCDR's and CDR's, is causing increasingly difficult personnel management problems. These grade ceilings were established based on the low mid-grade officer inventories and retention we were experiencing in the late 70's when the legislation was developed. As our requirements for these officers has grown as the Navy has expanded, we are rapidly approaching the point where the ceilings do not allow us to maintain an inventory sufficient to fill the requirements. Since our priority has always been to keep our sea billets fully manned, the impact of the inadequate ceilings shows up primarily in our inability to man shore billets, low numbers attending post graduate and service schools and increasing time spent at sea. As promotion opportunity decreases and flow points move steadily toward DOPMA maximums, the problem becomes increasingly acute. We badly need increased grade ceilings to more effectively manage our officer corps, both today and in the future.

Military Retirement

I am concerned about the stability of the military retirement system. Repeated criticisms of military retirement through erroneous comparison to civilian pension plans and misunderstanding of its purpose, can create in the minds of Navy personnel the perception that they have merely an expectancy which can be revoked at any time. A growing number of our sailors who decide not to reenlist cite uncertainty over the future of retirement benefits as a factor in their decision to leave the Navy. I cannot emphasize strongly enough the importance of the military retirement system as a force management tool. I encourage you to send a clear signal that there will be no degrading changes to that system.

Naval Reserve Force Incentive Programs

Expansion of the Naval Reserve requires enhanced personnel management tools to attract and retain quality personnel. I ask your support for three initiatives to increase the capability and strength of this important element of the Navy.

- The Selected Reserve Enlistment Affiliation, Reenlistment Bonus Program will extend existing law (which expires 30 September 1985) and increase the bonus amounts to provide added inducements to enter, or continue, participation in the Reserve. The proposal will allow Navy to target incentives to critically under-manned ratings and units, and is necessary to enable Navy to attain its required enlisted SELRES strength.

- The TAR Selective Reenlistment Bonus Program will provide authority to pay SRB to TARS. Over the next five years, the TAR community must grow by 30 percent to support an expanding Naval Reserve Force. Growth in technical skills will require SRB, just as these same skills require SRB in the regular Navy. Without TAR SRB, we will not be able to accomplish our plan for manning the NRF ships.

SELRES Unit Incentive Pay Program will allow Navy to provide an incentive to individuals affiliating with specified, hard-to-man units in the Naval Reserve. This Unit Incentive Pay is designed specifically to increase manning levels and improve retention in NRF Ships. Improved stability will add continuity to the crew training, thereby increasing readiness.

BAQ/VHA Beyond 90 Days

Another initiative included in the FY-86 request is targeted toward our deploying forces. Currently, sailors, marines and soliders receiving BAQ/VHA lose that entitlement after the first 90 days of sea or field duty. Our single personnel often have the same residence costs that our married members have and should not be financially penalized for extended deployment or field duty. I urge that you extend the current entitlement to cover extended deployments and field duty.

Reimbursement of Personal Expenses

Over the last several years, the costs to our members associated with PCS moves have increased while reimbursement entitlements, with a few exceptions, have remained at previous levels. Several studies, including one by GAO, have documented that service members are not being properly reimbursed for travel expenses necessarily incurred incident to permanent change of station orders. These expenses are direct costs of doing business and reimbursing service members for them should be viewed as a government obligation and not as additional compensation. Since these permanent station changes are made for national security reasons and not because of personal desires, service members should not be forced to subsidize the cost. A 1984 study showed that for every $2 a military family spends during a PCS move, excluding costs of buying or selling a house, less than $1 is reimbursed by the government. This is simply not fair to our men and women in uniform. I would like to offer the following comparison of actual costs and military and government civilian PCS reimbursements:

My purpose in providing the following comparison is not to imply that government civilians are over-reimbursed for PCS expenses. Their entitlements simply provide for more complete reimbursement. Rather, I am attempting to show the wide disparity (approximately $17,000 per move for paygrade E-7 and equivalent) between civilian and military reimbursements.

The above data does not include the disparity in maximum household goods weight limitations, which are 18,000 lbs for all government civilians and held at 13,500 lbs for the senior members of the military. In FY-83 and FY-84, about 7,000 Navy personnel paid almost $5 million out-of-pocket for household goods shipped in excess of their weight allowance during PCS moves. This averages out to $714 per family.

Figure 15

COMPARISON OF MILITARY AND CIVILIAN
PCS COSTS AND REIMBURSEMENTS[1]
As of 1 January 1985
(From San Diego, California to Pentagon, Washington, D.C.)

	Cost	Reimbursements		
PRIOR TO DEPARTURE (6 Days)		Civ (GS-9)	Mil (E-7) [illegible]	Mil (E-7) [illegible]
Residence Hunting Trip				
Air Travel/Employee & Spouse	$ 780	$ 780	$ -0-[2]	$ -0-[2]
Lodging/Subsistence	556	$ 525	-0-	-0-
Real Estate Expenses/Residence Sale	10,349	10,349	-0-	-0-
SUBTOTAL	$11,685	$11,654	$ -0-	$ -0-
ENROUTE (9 Days)				
Travel by POV (2630 miles)	$ 326	$ 326[3]	$ 671[4]	$ 326[3]
Tolls (approximate)	10	10	-0-	-0-
Lodging/Subsistence	950	950	450[5,6]	950[5,6]
SUBTOTAL	$ 1,486	$ 1,486	$1,121	$1,476
UPON ARRIVAL (20 Days)				
Temporary Quarters/Subsistence	$ 1,853	$ 1,853	498[7]	938[8]
Miscellaneous Expenses	961	961	373	373
Real Estate Expenses/Residence Purchase	3,390	3,390	-0-	-0-
SUBTOTAL	$ 6,204	$ 6,204	$ 871	$1,311
TOTAL EXCLUDING REAL ESTATE	$ 5,436	$ 5,405	$1,992	$2,787
TOTAL INCLUDING REAL ESTATE	$19,375	$19,344	$1,992	$2,787

[1] Family, member/civilian, spouse, 1 child age 7, 1 child age 1.
[2] Space-available Military Aircraft Command (MAC) transportation for member only at cost of $10.
[3] $.20 per mile max for 4 or more occupants.
[4] $.15 per mile member; $.07 per mile spouse $.035 per mile child age 7, $0 per mile child age 1.
[5] Per diem includes daily BAS for military.
[6] BAQ payment excluded, VHA not payable. BAQ may be needed for permanent quarters if dependents travel separately from member.
[7] 4 days Temporary Lodging Expenses authorized in law, no funds appropriated. Funds represent 20 days of BAQ, VHA, and BAS.
[8] Includes 20 days of BAQ, VHA, and BAS.

In FY-83, the combined total of grants, loans, and other forms of aid given to service members by the American Red Cross and the service relief societies for family assistance resulting from permanent station change travel and for emergency leave totaled $61.9 million, up $10 million from FY-82. In 1983, the Navy Relief Society, which supports both Navy and Marine Corps members, reported that 12 percent of all loans and grants given to service members were for moving expenses. This amounted to $2.3 million. Another $17.0 million was provided for emergency relief. During the first six months of 1984, the share of Navy Relief aid provided for moving expenses increased to 18 percent. Where do our relief societies obtain their funds? Contributions from service members is by far the largest source for our service relief societies. Taking care of our own has been a long standing military tradition; however, I have a strong personal objection to depending on our relief societies to pay the cost of the government doing business. The service member is paying for this travel one way or the other while the government derives the benefit.

Our reimbursement levels must be raised to provide for complete reimbursement for all necessary costs incurred by our members. Therefore, I am asking for your support for the travel reimbursement initiatives included in the FY-86 budget. The fact that we have allocated scarce dollars for these programs emphasizes our recognition of their importance to our members, and is fully supported at the highest military and civilian levels of the Department of Defense. The initiatives are:

(1) Funding the temporary lodging expenses provision previously authorized;
(2) Raising the maximum household goods weight allowance to 18,000 lbs;
(3) Providing meaningful permanent change of station reimbursements for all our junior personnel;
(4) Providing per diem for dependents during PCS moves;
(5) Eliminating the cap on per diem rates;
(6) Providing an equitable automobile operating allowance;
(7) Providing funded travel for crew members of ships in overhaul in lieu of PCS moves.
(8) Providing permanent authority to pay BAQ when a ship is in overhaul and becomes uninhabitable.

Quality of Life

There are three issues of particular importance in the FY-86 budget request that impact on the standard of living of our military members and their families. I urge your support for the following initiatives:

Dependent Dental Care. Although military health care available to our personnel and their dependents is generally quite competitive with that provided by private sector employers, a deficiency which is becoming more significant is the almost complete lack of dependent dental care for military dependents. Major private sector employers almost universally provide the same level of dental coverage for both individual employees and their families, although employees usually share costs for family coverage with the employer. This deficiency is an ever growing problem for our personnel, and a dissatisfier in our personnel management system. Navy joins the other services in support of the contributory dental plan proposed in the FY-86 Budget. This proposed program would cover diagnostic, preventive, emergency and basic restorative services, and would cost the average military family $5-10 per month. I believe the provision of a reasonable cost dependent dental care plan for military families is now a top priority equity issue.

Housing. Our long range construction plan will reduce our current buildable deficit of 12,500 units to 3,500 units by FY-90. The FY-86 program requests construction of 845 units at a cost of $75.4M.

Credit Cards. The quality of life for our Navy men and women can be also significantly enhanced by authorizing the use of commercial credit cards in the exchanges. This is an important element in reassuring our Navy families that their living conditions are comparable to civilian counterparts. Currently, 80% of our career Navy personnel use credit cards as a means of payment, but are denied that choice in their military exchanges.

Management Initiatives

Flag Officer Management. Although DOPMA established key management elements for flag officers, comprehensive flag officer management guidelines do not exist. As requested by Congress, the services have forwarded a proposal which not only revises and standardizes the laws for the distribution, appointment and assignment of flag and general officers, but also provides a more clearly defined structure for Congressional review and control of flag and general officer requirements. Piecemeal management of flag officers has long been a concern within Congress and Navy. The comprehensive Flag/General Officer Legislation offers us the opportunity to create a viable management system for these key executives which will have the same positive effect DOPMA has had on the remainder of our officer force. I urge your timely consideration of this important legislation. In the interim, temporary continuation of Navy's FY-85 authorization for three vice admirals over statutory limitations is essential for Navy to meet its senior management needs.

Research and Development

The human element of combat makes up a significant portion of our overall fighting capability. We must always guarantee the people component of combat effectiveness remains strong. Modernization of training and optimal utilization of our people can be accomplished through a strong R&D program. Although personnel and training costs account for a significant portion of our total Defense expenditures, Navy MPT R&D accounts for less that 1% of the total navy RDT&E appropriation. We need your support in the Congress to maintain these small but vital R&D resources at currently programmed levels.

IV. Conclusion

The Navy operates on the front lines of a global environment characterized by a continuum of potential conflicts and violence. As a consequence, the conditions of service for our Navy personnel are unique. High tempo, far flung operations demand an exceptional degree of unit self sufficiency and the support structure to maintain it. Sufficient numbers of properly trained and experienced people, in both at-sea and crucial fleet support shore billets, are essential to combat readiness and war fighting capability.

We have come a long way in the past four years in improving our personnel posture. We cannot sustain this trend without a mid-course correction. As we have noted, there are several critical steps to be taken to complete the transition to a 600 ship, 15 battle group Navy. Attaining our end strength growth is my highest priority. We request a measured increase to allow us to man today's force, to support it adequately with shore based maintenance and support facilities, and to build the skill and experience levels needed for the near future.

At the same time, we need to focus on retaining greater numbers of those enlisted and officer personnel who possess mission critical skills, who contribute directly to readiness and capability, are the most costly to replace, and possess talents that are in shortest supply. Our proposals for modifying Selected Reenlistment Bonus, Nuclear Officer Incentive Pay, Aviation Officer Continuation Pay, and Submarine Pay will accomplish these critical objectives. Improvements to the Quality of Life of our service members and their families by relieving requirements to pay the costs associated with Government directed travel "out of pocket" are long overdue. These adjustments will place our manpower and personnel programs back on track to support the force structure growth programmed for the balance of the decade.

The Navy is committed to using its manpower resources wisely and cooperating with Congress to ensure our collective goals are achieved. I urge your support for our FY-86 budget request and I look forward to working with you to these ends.

The CHAIRMAN. Thank you very much, Admiral.

General Cassidy.

STATEMENT OF LT. GEN. DUANE H. CASSIDY, DEPUTY CHIEF OF STAFF, MANPOWER AND PERSONNEL, DEPARTMENT OF THE AIR FORCE

General CASSIDY. Mr. Chairman, members of the committee, I am very pleased, also, to be here.

And I, too, have a formal statement that I ask you to enter into the record.

I'll briefly summarize some of the comments if I may.

It's my great honor to appear before you for the first time representing the men and women of the U.S. Air Force, who, I assure you, are a high-technology organization and who all have the right stuff.

And I am here to tell you today that we are more ready and better prepared than we've ever been, for many, many reasons. And I'd like to discuss a few of those today.

Of course, the big reason is the continued support your subcommittee—this full committee has given us in the past and your leadership to the U.S. public, who has given us such great support in the past several years that has made it possible for us to get some of this Nation's finest young men and women to come and join us and, better yet, to stay with us.

When military issues are discussed, all too often it seems to me that we focus an awful lot of attention on the equipment itself and the shiny new whiz-bang, high-tech things.

Let me assure you today that the Air Force places its highest and foremost priority on the most vital element of the Air Force capability and that's our people.

They are good old standard Americans, just like you and I, who have been willing, for some reason, to give up a portion of their lifetime, and a portion of the lifetime of their families, dedicated to freedom and to free men everywhere around the world. And I can assure you they're good people. As a matter of fact, I'd put it another way, they're extraordinary people; they really are.

Quality, as I mentioned, is the highest it's ever been, and that translates, I think, into something very, very tangible. It translates into improved readiness, and that's there; by every measure, by every standard, the readiness has improved. And it's done with great savings because of this, savings in millions of dollars through reduced attrition, through reduced training costs, and through higher—just much higher productivity.

Over a 4-year period, every negative indicator that we have is down. Everything has shown a downward trend.

Those sorts of things, like AWOL rate, unfavorable information files, article 15s, drug-alcohol abuse—every chart we have shows a downward trend in those negative things.

At the same time, all of the positive indicators are up, all going in the right direction.

Fiscal year 1984, 99 percent of our recruits were high school diploma graduates. That compares to 83 percent just 4 years ago.

At least 51 percent of our people scored better than average, above the 50 percent norm, on enlistment tests. That's up from 40 percent just 4 years ago. And we're retaining our good people. That's by far the most important issue of all.

Four years ago—and you know very well, sir, that was very, very difficult to do.

Without quality people, the most sophisticated equipment that you give us will be of little value.

The quality of our people provides the qualitative edge. It is our people that distinguish us from any other Air Force. It's us—it is our people, indeed, who will make the difference in time of combat.

Now, the Soviets have shown us, time and time again, that they can reverse engineer any piece of equipment that we produce and do it every day. But they can't reverse engineer the American fighting man. In fact, they don't even understand that.

They can't understand the intelligence, the spirit, the commitment of the American who voluntarily serves his country. They will always be our primary advantage, so it's my great pleasure to represent them today.

In a time of high deficits, as you've mentioned, and as a time of budget cuts and increasing capability on our part, there are always some proposed cuts that come from many different sources.

One of those proposed cuts threatens the qualitative edge, where we worked so hard together to achieve, and that would be a reduction of many of our people programs.

Cutting people without cutting workload threatens readiness. There's no other—there's no better way I can state it to you.

When you cut people and don't cut their workload, indeed one person must do the job of one and a half or two people.

And you find, then, that some of our people who are operating will be operating near the wartime levels in peacetime, and then we wonder about their ability to surge in wartime if they're operating at those levels now.

And it certainly threatens the quality of life, which we have heard so much about today, and it is very heartening to hear the words of the Members of this Congress as they appear before you and state how concerned they are for the quality of life of our people.

The pressure of long hours takes the inevitable toll on the individual, on the family. It results in the loss of key people, trained people, and key future leaders.

Some of those proposals would treat people as a program, rather than treating people as a resource tied to programs. Those proposals will have, and I guarantee you, a very negative effect on our readiness.

Our airmen are committed to security, the security of this nation and its allies. Their commitment now is not without cost to the individual in the family, and they know that, they volunteered. And so they do it with their eyes wide open. But they expect from us some reciprocal agreement from their nation to these airmen. We expect from them to be loyal, to sustain unfailing commitment to serve in remote overseas locations, to be apart from their families for long periods of time, to risk, to give to their country an unlimited liability, which is maybe having to give one's life for one's country. And in return, we owe our Air Force members and their families an adequate level of quality of life. And again, we've heard a lot about that today, which is good.

We need a commitment to them as they have made to us. They've earned it, they deserve it; that's for sure. But it also contributes—it just makes good business sense because it contributes to recruiting, to retention, to moral, to job satisfaction, to productivity. Everything is up when you take care of the people.

Both the Air Force and our country as a whole have undergone some very significant changes in recent years. And we have had to adapt and, as a matter of fact, make significant changes because we've had to adapt to the very—a change in the very fabric of our society, and that's the family.

The traditional family, whatever that was, of two parents, the wife at home and children and that sort of thing, represented about 43 percent of our society just 20 years ago. Today, that traditional family, as then defined, represents less than 7 percent of the total society. The Air Force is a microcosm of that.

In the Air Force, 28 percent—we have 28 percent more working spouses than we did in 1973. We have 25,000 married military couples and over 8,000 single parents to deal with, to understand the problems of, and to support.

We have had to adapt leadership and support mechanisms accordingly.

The Air Force now, more than ever before, is family-oriented. We recognize that a career decision in the Air Force—and we are career-intensive—is, indeed, a family decision.

We've developed family support centers to focus on information and support services. We've expanded child care centers to include enrichment programs, not making child care centers just caretakers, but indeed training and teaching and developing our children.

Perhaps the most important, we have included budget items to ease the financial burden on the members in the families. And you've heard of all these items before, but if you could bear with them, I just want to make them the record since they are terribly important to Air Force people.

We do need to pay the cost of Government-directed moves. We don't do that now.

We need adequate mileage. We need realistic household goods weight allowances, which, you've heard, have not changed since 1966.

We need temporary lodging expenses, just for a short period of time. We're only asking for 4 days so our people can find a house and readjust.

We need to provide basic dental care for the family members. Current care certainly is well below the norm for working America. We find that by 1990 over 50 percent of Americans will have some significant dental program, and ours is sadly lacking.

We need to seek your assurance that the tax exempt status of certain allowances will continue. And we ask that you provide adequate numbers of people—an adequate number of people to operate and maintain the systems and equipment that this Congress has already authorized us to have.

And finally, I can't talk about people issues without mentioning the fact that anytime I'm with a group of Air Force people of more than two, they ask me, "Say, General, what's going to happen to our retirement?"

Retirement is, indeed, and I assure you, the basic security issue wherever I go.

I was in Germany just last night, and before getting on the airplane, a young airman came to me and somehow knew I was coming back here to appear before this subcommittee. And he said, "Hey, General, be sure and let them know that retirement is important to us." So, I feel compelled to say that to you.

Now, there's no link between this issue and our people's patriotism and their loyalty, not at all. Make no mistake of that. Our concern is for national defense, not just now, not just with us, but for the future. I consider it our job to advise you from our point of view on national defense.

Our people are well aware of the impact of changes that have already taken place in retirement, changes that will cost the airmen who joined us since 1980 well over $100,000 in life-stream earnings, savings that, indeed, have contributed to bringing down the deficit of the future.

The retirement system is not lavish, its costs are not out of control, it is in line with other retirement systems, and it is not an old-age pension. In fact, it's the last institutional support that recognizes the unique sacrifices of military service. It shows that the American people continue to recognize the exceptional job our people do doing work that is generally distasteful to most Americans.

Retirement pay is simply reduced compensation for reduced current service. At retirement, the member merely changes from active status to reserve status. We don't lose him; he's still available, subject to recall. And he, indeed, is subject in some cases to the Uniform Code of Military Justice.

There have been changes already made, significant ones that have contributed to the deficit and the real reductions that will contribute to real reductions in the life-stream earnings of our people. Retirement programs are our No. 1 retention incentive.

As a final note to this committee—you asked us last year to reexamine how we determine the number of women we will recruit in the succeeding years—the study is nearly completed. We have continued it for about 8 months. We will forward the results to you formally quite shortly.

The preliminary findings show that the declining youth population is not the cause for alarm that we thought it might be. There are other factors working in that marketplace of people that will counter the numbers of people available to us.

We have developed an accession methodology based on requirements. We will propose that accessions be based on this approach, rather than on a quota established without regard to the Air Force needs or to the individual interest of the individual.

I look forward to working with you and your staff to do what's necessary to preserve our national security, as well as the personal security of the people in uniform, again the men and women of the Air Force, who join me in thanking you for your continued support.

PREPARED STATEMENT OF LT. GEN. DUANE H. CASSIDY

INTRODUCTION

Mr. Chairman and members of the subcommittee, I welcome the opportunity to discuss the most essential Air Force Manpower and Personnel issues for Fiscal Year 1986. Your past support has greatly assisted us in achieving a desirable state of readiness. Your continued support for this year's programs and initiatives will maintain the momentum of the recent past and continue to strengthen Air Force readiness.

People remain the key to readiness. They are the mainstay of every aspect of our operations. Without the right number and caliber of people, even our most sophisticated equipment and weapon systems can be rendered ineffective. To get the most from our equipment and systems, we must get the manpower to match.

Once the manpower resources are authorized and funded, we have to attract and retain the quantity and quality of people we need. Our ability to do this depends on factors such as the public image of military service, the state of the economy, and the quality of life of military personnel and their families. In recent years, these factors have worked in concert to generate excellent success in our recruiting and retention efforts.

The quality of our people has never been higher. We met our FY84 recruiting goals with the highest quality and best educated enlistees in the history of this nation's armed forces. Four years ago, only 83% of our recruits had high school diplomas. In FY84, nearly 99% were high school diploma graduates and 18 percent had 20 or more semester hours of college credit. And even more importantly, we're retaining quality people. Four years ago, only 36 percent of our first-termers chose to stay with us. In FY84, that rate climbed to 62 percent--a 72 percent increase. Similar increases in retention have also occurred among our experienced people, with 80 percent of our second termers and 96 percent of our career personnel reenlisting. These recruiting and retention figures have improved despite the difficult conditions under which our people are asked to serve. Their service continues to require unlimited risk and the willingness at any moment to pay the ultimate price for freedom. Their chosen profession, unlike that of most of their peers, requires an oath as a condition of service. World-wide commitments require they be prepared to live and fight anywhere, plus undergo adverse and often uncomfortable living and working conditions. They are expected to face exposure to risk, long hours, frequent relocations, and involuntary family separations. They pay a very high and personal price to serve. They expect and deserve appropriate support in return--from their leaders, from the American people, and from the Congress.

Our people successes can be attributed in large measure to recent Congressional support for programs essential to the preservation of basic career incentives and long-needed improvements in the quality of life of military personnel and their families. These, coupled with strong internal leadership and increased public esteem and support, have had a positive impact on our people's self-satisfaction and pride in serving the country, and their desire to continue this service. They're feeling good about the Air Force and the role they're playing in the nation's defense.

While these successes paint a rosy picture of the recent past, we still have some serious concerns about the future. We have seen sporadic peaks and valleys in our recruiting success and a decline in our retention rates in recent months. We remain concerned that, if precautionary measures are not taken, we could again experience a catastrophe similar to that experienced in the late 1970s. At that time, the nation paid a steep price for neglecting the legitimate needs of men and women in uniform. Inflation and repeated pay caps seriously eroded pay and benefits. Morale plummeted. Experienced and talented personnel left in large numbers. Their exodus caused a breach in our mid-management and experienced ranks from which we have only recently recovered. In addition, we experienced a shortfall of almost 1,400 new recruits for the first time since the end of the draft. It can happen again.

Once again, our people face repeated pay caps while the gap between military pay and the private sector continues to widen. They again face continued threats to even the most basic of their benefits. Our number one retention incentive, the military retirement program, is under fire. The tax deduction for military homeowners' interest and taxes is in danger of being eliminated. Our people hear constant talk of continued pay caps or freezes--and all of this at a time when the competition for their services is on the rise in the private sector. These factors may again combine to produce a situation similar to the late 1970s. If we allow this to happen, young people, contemplating an Air Force career, will see not only reduced incentives, but also repeated neglect and unkept promises. They will look elsewhere for jobs, and ultimately our ability to recruit and maintain a force capable of meeting our deterrent and wartime missions would be degraded. To ensure this doesn't happen, we solicit your full support for programs and initiatives that provide the force structure and family and institutional supports to meet the unique demands of military service. Your support of these programs and initiatives will help minimize the potential for future recruiting and retention failures and enable us to build upon our recent momentum.

We are also concerned about the negative impact that long duty hours and time away from home station has on morale and retention. When we don't have 100 percent manning, our people and their families suffer. Eventually, the young troop out in the middle of nowhere has to do the job of one and a half people. It's not fair, and we must pay the cost. We need your support for a moderate increase in manpower--less than 2 1/2 percent increase to match new capability that is scheduled to arrive on the flight line. Our people will make the most of our investment in modern force structure.

The Fiscal Year 1986 Manpower and Personnel portion of the Air Force budget has been developed to ensure an appropriate balance between readiness levels required to support worldwide commitments within limited resources and a sincere concern about the size of the budget deficit. Our FY86 priorities and initiatives can be conveniently categorized into three broad areas: structuring the Total Force; people supports; and additional issues.

II. STRUCTURING THE TOTAL FORCE

This area contains programs and initiatives which directly support the Air Force's increased force size, expanded mission capability, and force modernization requirement. Due to the unique nature of the military personnel system, where the vast majority of our people enter at the lowest level and progress up through the ranks, we utilize a life-cycle approach to personnel management that begins with the right number and mix of manpower resources; proceeds to recruiting; and includes training, motivating, utilizing, and retaining our people until separation or retirement.

Total Force Manpower: The Air Force remains the DoD leader in implementing a true total force. We organize, train, and equip all active component, Air Reserve Forces, and civilian personnel as a team. For FY86 we have programmed a balanced mix of manpower levels that reflects the minimum number of people necessary to field our new weapon systems and expanded mission requirements. Even with the necessary FY86 growth, the Air Force faces a continuing shortfall. Moderate growth will enable us to recruit and train the people who can make the most of our forces. We also continue to pursue an active contracting-out program and increased efficiency through the Functional Review Program to help temper our overall growth rates. In addition, and in an effort to limit active military end strength, new and expanded missions have been added to the Air Reserve Forces.

Active Component Military Manpower: Active military manpower is programmed to grow 9,400 in the FY86 Budget. Manpower levels result from a deliberate, engineered process of manpower requirements determination with an objective analysis of the optimum mix between active, civilian, contract, and reserve forces. The requested growth directly supports approved programs for an expanded and modernized force structure. Major reasons for the FY86 increase include (1) deployment of the B-1 bomber, modernization of tactical fighters (F-15 and F-16), airlift (C-5B), tanker aircraft (KC-10), and the ground launched cruise missile; (2) increased readiness initiatives such as chemical-biological defense and medical support; (3) improved communications and intelligence activities; and (4) training to enhance mission effectiveness. Consequently, the moderate increase in requirements (less than 2 percent) is critical to reaching the full potential of previously approved modernization, expansion, improved force readiness, and specific programs that provide the military capability necessary to contend with world crisis situations. The FY86 President's Budget supports these validated requirements.

Air Reserve Forces: The Air Reserve Forces contribute significantly to our overall readiness capability and have assumed an increasing share of Total Force responsibilities. Since the Total Force policy began in 1973, the size of our Reserve Forces has increased 35 percent while the size of the Active Force has decreased 12 percent.

For FY86, Reserve Forces are programmed to increase by 5,800 as a result of expanded missions. Furthermore, during the next five years, reserve manpower is projected to grow at more than twice the rate of the active force. Air Reserve Forces will gain two C-141B squadrons to support strategic airlift in FY86. We project a transfer of forty-four C-5 and C-141s to them by 1990.

As we continue to examine missions to determine what can be transferred or enhanced, many factors must be considered to insure that the Air Force can meet its requirements in both peace and war. The present mix is a result of indepth objective analyses based primarily on force and cost effectiveness. In addition to these two factors, we must look at activity rates, readiness requirements, sustainment needs, minimum force levels, and unit beddown considerations. Any future active to reserve transfers must also receive the same comprehensive analyses to ensure we retain maximum deterrent combat capability.

Civilian Manpower: Just as Air Reserve Forces are an integral part of our Total Force, so are civilians. In FY 86, the Air Force requests a civilian manpower increase of 10,300. These additional authorizations support new weapon systems, increased flying hours, and improved inventory control and logistics support for new systems. As a result of increasing missions in the Reserve Forces, the growth includes 1,200 civilians to serve as Air Reserve technicians. Our continuing evaluation of the best mix of manpower resources has also contributed to civilian growth. We have converted military positions in non-military essential skills to civilians. These conversions, offset by reductions for contract services and improved efficiency, contribute 3,100 to the civilian growth. Currently, because of a Congressionally directed ceiling waiver, civilian employment is not constrained by end strength during FY85. We are confident that this "test" will prove our capability to prudently manage the civilian workforce and allow us to illustrate the benefits of permanently eliminating civilian ceilings which we believe are counter-productive.

Contracting of Commercial Activities: The Air Force considers contracting-out a viable and efficient means of accomplishing certain workloads when used consistent with national defense requirements. As a result, the Air Force inventory of contracted commercial activities covers approximately 78,000 contract manyears or about 24 percent of the civilian workload. Since 1981 we have studied 7,200 spaces, of which over 5,300 were contracted or reduced as a result of cost comparisons. We anticipate studying an additional 13,000 and support a contracting-out program in which each activity is critically examined according to its wartime role before certifying it as eligible for contract. We also support contracting-out that delegates to the Services the authority to determine what is required in-house to maintain readiness and respond to wartime tasking, and what can be contracted out.

Productivity Initiatives: The Air Force is actively pursuing a major initiative, through its Management Engineering Program, to accomplish functional reviews of in-house activities. A concerted effort is being made to increase productivity and reduce operating costs by eliminating unnecessary and inefficient work practices. Virtually every Air Force function will be analyzed to increase operating efficiency without decreasing effectiveness. To gain efficiencies, prime emphasis is being placed on enhancing operations through streamlined procedures and state-of-the-art equipment. Further, during the review process, wartime taskings are being studied to insure that peacetime economies are not achieved at the expense of war fighting capability. This effort is complemented by an aggressive productivity enhancing capital investment program. Since 1977, capital investments have offset a potential growth of over 4,000 manpower spaces, and the average return on investment is now 13 to 1 in terms of dollar savings and cost avoidance.

Recruiting: In FY86, we need 14 percent more enlisted recruits than in FY84. The high unemployment which contributed to our recruiting success in the early 80's appears over and recent economic improvements have resulted in increased competition from the private sector for people with technical aptitudes. To meet this challenge we request continued Congressional support for adequate recruiting resources.

The backbone of our recruiting success has been and will continue to be the all-volunteer recruiting force. The record of

Air Force recruiters speaks for itself, particularly in the areas of cost-effectiveness and productivity. Our cost per recruit is about 44 percent below the DoD average, and recruiter productivity is more than 50 percent greater than the DoD average. We believe the increase in Special Duty Assignment Pay to a maximum of $275.00 in the FY85 Authorization Act was a positive and much needed initiative that will help maintain this success.

Our FY86 recruiting goals include 69,800 enlisted personnel and 4,625 officers. We urge Congress to preserve our gains of the last four years by approving our recruiting resource request for only 3.5 percent program growth in support of a 4.1 percent increase in workload over FY85.

Enlisted Recruiting: The Air Force achieved its FY84 enlisted recruiting objective of 60,000 Non-Prior Service (NPS) and 1,000 Prior Service (PS) enlistees. The FY86 objectives are 65,000 NPS and 4,800 PS accessions. The Prior Service objective continues to be for fully qualified critical skill personnel and is an increase of 2,800 over FY85 levels (Figure 1).

ENLISTED RECRUITING OBJECTIVES

Program	FY 84	FY 85	FY 86
Non Prior Service	60,000	65,000	65,000
Prior Service	1,000	2,000	4,800

FIGURE 1

Enlistment Bonus (EB) Program: A recruiting tool that has been used sparingly, but effectively, in helping meet our objectives in difficult to recruit skills is the Enlistment Bonus (EB). We currently offer the EB in only two skills: crypto-linguist and explosive ordnance disposal. Those enlistees receiving the EB must serve a six year enlistment, versus the normal four, plus complete technical training prior to receipt of the bonus. We believe our judicious use of the program is well documented and fully justifies its continued use on a selective basis. Our FY86 EB budget requests one additional skill--engineering assistant--because we continue to experience a shortfall in this skill.

Officer Recruiting: Our FY86 officer recruiting objective is 4,625. While this objective is slightly less than FY85 (Figure 2), we remain concerned about our ability to meet this requirement, particularly in the medical area.

OFFICER RECRUITING OBJECTIVES

Program	FY84	FY85	FY86
Officer Training School	3,324	3,728	3,045
Medical	1,162	1,602	1,580

FIGURE 2

Overall, we believe we'll meet our FY86 objectives assuming we are provided the recruiting resources necessary to allow us to remain competitive with the private sector, academia, and the other Services.

Women in the Air Force: The Air Force has led all Services in providing military opportunities for women and we have the highest representation of women. All officer career fields, and all but four enlisted specialties, are open to women (some specific positions which are combat-related within otherwise open career fields and specialties are excluded). At the end of FY 84, women comprised 11.2% of the total active force.

In addition, the Air Force has convened a special study group to review the way it recruits and utilizes women. The results of the study will be made available in the near future. During the course of the study, two previously restricted career fields were opened to women. On 1 January 1985, the Secretary of the Air Force opened approximately 26,000 jobs in the security specialist career field. Then, in early February the Commander in Chief of the Strategic Air Command announced the opening of Minuteman missile launch crews to women. The first all women crews are expected to be in place by the spring of 1986.

We remain committed to affording women full career opportunities within statutory limitations. We do not, however, support the arbitrary establishment of female accession levels by Congress. We believe the authority for establishing recruiting policies and procedures should remain with the Secretary of the Air Force within current statutory guidelines since he has the ultimate responsibility for accomplishment of the Air Force mission.

Enlisted Retention: Reenlistment rates peaked in FY83 and started to decline in FY84 (Figure 3). The most noticeable change was a 3.7 percentage point drop in first term reenlistment.

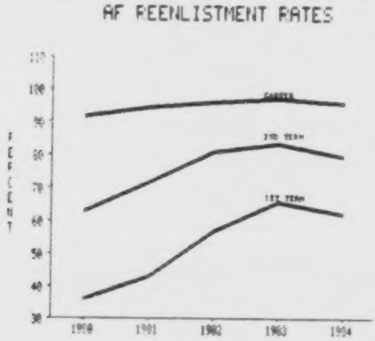


FIGURE 3

We anticipate that these rates will continue to decline through FY86. In addition, although overall enlisted manning is at authorized levels, we continue to experience mid-level NCO shortages in some combat-related skills such as intelligence, avionics and aircraft maintenance. Several strong management initiatives have helped reduce these shortages from their high in FY81. Specifically, these actions have included (1) Selective Reenlistment Bonuses (SRB), (2) increased promotion opportunity in the chronically short skills, (3) recruiting fully qualified prior service Air Force members, and (4) retaining certain high quality NCOs beyond their normal mandatory retirement point. Of these initiatives, the most effective has been the SRB.

Selective Reenlistment Bonus (SRB)Program: The Air Force has been a judicious steward of SRB resources. Bonuses are paid for only those critical skills that have shortages and insufficient reenlistments. Headquarters, USAF, reviews the SRBs at least twice a year to determine if a skill needs to be added, retained or deleted. Currently, 93 of a possible 236 skills receive the SRB. We request full congressional funding of the FY86 SRB program.

Officer Retention: Increased officer losses caused retention to decline slightly in FY84. The pilot cumulative continuation rate decreased from 78 percent in FY83 to 72 percent in FY84. This trend is expected to continue in FY85 and FY86. Factors contributing to the retention downturn include improved private sector employment opportunities, a widening pay comparability gap, threats to the military retirement system, and the tax deduction for military homeowners' interest and taxes. We are closely monitoring the increase in pilot losses. Over the past few years, high retention has enabled the Air Force to eliminate large pilot shortages (1,302 in FY79) despite an increasing pilot requirement. The pilot inventory and requirement are currently in aggregate balance, but the situation is delicate and above average retention will be required to prevent shortages from reappearing. A factor influencing retention is Aviation Career Incentive Pay.

Aviation Career Incentive Pay: ACIP was established by the Aviation Career Incentive Act (ACIA) of 1974. It provides an incentive for members to complete a full aviation career by meeting statutory requirements for flying ("gates"). As a career incentive, ACIP continues while rated officers are in non-flying jobs, insuring a ready resource of experienced aviators if needed for combat, and providing valuable operational flying expertise in key staff management positions.

Preserving ACIP is vital, especially since the competition from the private sector for pilots is increasing. More jobs are available due to the economic recovery; and, in particular, airline hiring has increased dramatically over the past two years (over 7,000 new pilot hires since start of FY83). Almost any Air Force pilot wanting a civilian aviation career can find a job, and this situation will probably continue beyond FY85.

The outlook for retention of pilots, where weighted training costs average $750K, is not bleak if we learn from past experience. For example, in 1973 Congress terminated flight pay for O-6s not in flying billets. The result was an immediate increase in voluntary retirements by senior people and a dramatic increase in voluntary separation requests from junior aviators. This reaction led to an indepth Congressional examination of aviator retention alternatives, and passage of the ACIA. The lesson is clear--reductions in career incentive pay reverberate throughout the entire flying force. In 1979 the Air Force experienced a severe pilot loss but was able to absorb the loss due to the large pool of pilots left from the Vietnam era. Today that reserve of pilots does not exist. Current retention is extremely fragile and any large losses would result in the Air Force being unable to meet its requirements. Although pilot production increases could offset the losses numerically, the length of time needed to season these new pilots would result in an overall decline in the experience level of the force. This loss of experience translates into degraded combat capability and decreased flying safety. Overall, ACIP is a very cost effective program. Preventing the loss of 190 pilots will offset the entire FY86 ACIP Budget of $141.7M. The aviation career concept embodied in ACIP provides a predictable, continuous entitlement that has proven essential to rated force management objectives.

III. PEOPLE SUPPORTS

These programs are intended to ensure adequate compensation and an adequate quality of life for our people and their families. They are essential to sustain retention rates and necessary experience levels within the career force over the long haul. The programs fall into two areas:

a. Families

b. Security

a. Families

Family Support Centers: Military families contribute to readiness and the national defense in many positive ways. For most Air Force people, the family affects morale and job performance and plays the dominant role in their decision to remain on active duty. Therefore, it's essential we continue to meet family needs. To help fulfill that responsibility we are establishing Family Support Centers (FSCs) at all major bases. Analysis of the initial three year test program of current FSCs supports our contention that they have a positive impact on the military communities they serve. Field commanders say FSCs are of particular value in helping them handle tough, time-consuming family-related issues and are beginning to eliminate some long-term, recurring problems. In FY86 we will have 50 FSCs in various stages of development, with full implementation at all major bases (123) expected by FY89. We strongly urge continued congressional support for this program.

Permanent Change of Station (PCS) Reimbursements: The lack of adequate PCS reimbursement is one of the most critical personnel issues facing the Air Force today. The worldwide nature of our mission necessitates thousands of PCS moves each year. The Air Force is keenly aware of the drain on resources and family upheaval caused by these moves and continues to look for ways to increase PCS stability and reduce costs for both the government and our people. Since 1974, the number of PCS moves has been reduced by half, and average time on station has increased more than 100 percent. Despite these efforts, PCS costs have increased more than 50 percent. This increased cost of moving directly affects our people and their families. A 1984 survey showed that, exclusive of home ownership costs, for every $4 our members spend on a PCS move, only $1 is reimbursed by the government. This translates to median unreimbursed expenses ranging from approximately $1,400 to over $2,700 depending on grade. Consequently, over half of our members have to borrow or withdraw money from their savings in order to meet their PCS expenses. To an E-5, a $1,800 out-of-pocket PCS expense represents a loss equivalent to 33 months of the January 1985 pay raise.

PCS relocations are a common occurrence in military life. The average first termer relocates twice; career military seven to eight times. Adequate compensation for PCS moves must be recognized as a cost-of-doing business. To reduce this financial burden on our people and their families, we propose funding for the following PCS improvements:

- Enhanced household weight allowances ranging from 5,000 to 18,000 pounds, depending on grade
- Dependent travel entitlements (mileage allowances and "with dependent" rate dislocation allowance) for CONUS junior enlisted (E-4 and below with less than 2 years of service)
- CONUS 4-day temporary lodging expense, not to exceed $110 per day
- A 3.5¢ mileage allowance for infant dependents under 2 years of age.

PCS reimbursement is an area in need of immediate improvement. We urge the Congress to fund these programs in FY86.

Dependent Dental Care: Dental care is essential to the health and well-being of Air Force dependents. Space-available dental care, as contained in the FY85 DOD Authorization Act, is a step in the right direction. However, it cannot fully satisfy our dependent needs by itself. Private sector dental care has significantly outpaced military dental care over the past 15 years and is projected to do so for the foreseeable future.

A voluntary cost-sharing dental insurance plan is our number one health care initiative. A recent DoD health survey found that 90% of the members questioned listed dental benefits as their top priority in improving medical benefits. It is a necessary program which would provide dental care on a basis consistent with long-term trends in the private sector.

As a minimum, we need a program that will cover preventive, diagnostic, emergency, and basic restorative services. We support the proposed DoD dental insurance plan which would result in a 60/40 government/member sharing of costs. Government cost for FY86 is estimated to be $105M; Air Force share is $35M. If started on 1 April 1986, our initial outlay would be $15-17M. Member cost will be a maximum $10/month family premium, as well as a 20 percent copayment for basic restorative work (e.g. fillings, crowns).

This dental plan is part of the OSD CHAMPUS Omnibus Proposal designed to increase benefits while reducing overall costs. By supporting this legislation as a total program, we will make significant strides towards providing appropriate care for our people. Since dental care is an issue that's repeatedly mentioned as a significant need by our people during senior leadership visits to bases, we believe this low-cost initiative would pay big dividends in terms of recruitment and retention.

IRS Ruling 83-3: The Internal Revenue Service (IRS) has indicated that Revenue Ruling 83-3, which disallows deductions for mortgage interest and real estate taxes to the extent such expenses are paid from a tax-free allowance, may be implemented against military homeowners. Such a ruling would have a devastating financial impact on military homeowners. More than 290,000 of them would incur an additional tax liability of approximately $1,000-$5,000 annually--the equivalent of a three to five-percent pay cut in the grades most effected: the career force of E-5s through O-5s. Further, Ruling 83-3 ignores the fact that the tax-exempt status of military allowances is an integral part of the military compensation system and has been accounted for in establishing pay levels since 1965. The Air Force strongly opposes the IRS ruling and supports legislation to preclude implementation against military homeowners.

Rent-Plus Housing Allowance (RPHA) System in Alaska and Hawaii: The Air Force urges preservation of the RPHA system in

Alaska and Hawaii rather than implementation of the Variable Housing Allowance (VHA) system. There are five compelling factors which support retention of rent plus. First, currently, two-thirds of those individuals receiving rent plus in Hawaii are in the grades of E-6 and below. One-third of these are paying rent higher than the current rent plus ceiling. These lower grades cannot afford higher housing costs. Second, the ability to find lower cost housing is limited by geographical and climatic conditions. Private sector housing considerations in Alaska and Hawaii (i.e., tundra and water) do not permit the commuting distance/housing cost trade off that is applicable in CONUS. In Hawaii, development money continues to favor the resort and condo market--not monthly rentals. Third, lower by-grade VHA rates would disqualify nearly all servicemembers from the very expensive homeownership market (average prices in Alaska and Hawaii are $125,000). This would exacerbate the already oversaturated rental market situation (Hawaii has lowest rental vacancy rate in the nation--one percent) and drive up rental costs since more people would enter the rental market. Fourth, VHA is not flexible enough to deal with the "unique" housing market, particularly in Hawaii, where six month rental leases are the norm rather than the exception. Rent plus can better accommodate rapidly increasing rents. Finally, eliminating rent plus will likely reduce the number of volunteers for Alaska and Hawaii (to avoid financial hardships) and result in more unaccompanied tours when the Services are trying to reduce PCS moves. This added personnel turbulence would increase training costs, reduce experience levels, and impact on readiness.

Retention of rent plus in Alaska and Hawaii will enable our people to find affordable housing in these constrained, high cost housing areas, and, more importantly, it will allow servicemembers to maintain a reasonable standard of living.

B. Security

Pay Comparability: The nation has an obligation to provide military members with a standard of living comparable to that afforded other Americans and commensurate with the unique demands of military service. The near disastrous recruiting and retention experience of the late 1970's serves as a constant reminder of the potential impact when military pay consistently lags behind private sector wages. Today, we cannot afford the significant losses of mid-career and senior NCOs and mid-career officers which we encountered in the 1970's.

While pay comparability was essentially restored in FY82, three consecutive pay caps of 4 percent have resulted in a FY85 pay gap between military and private sector wages of approximately 10 percent as measured by the Professional, Administrative, Technical, and Clerical Workers Survey or 7 percent as measured by the Employment Cost Index. Regardless of the adjustment mechanism used, the pay gap has grown substantially in recent years. Even with a 3 percent pay raise on 1 July 1985, we will only maintain the status quo with regard to inflation and make no headway in reducing the comparability gap. In fact, the projected 5.6 percent private sector wage growth for FY85 will further widen the gap.

As the economy continues to improve and military pay remains capped below comparable sector pay, we will likely see our people being drawn to higher paying jobs in the private sector. We are concerned that if the pay comparability gap is not reduced, the Air Force will not be able to absorb the impact without degradation to our readiness. The Air Force strongly supports a 3 percent pay raise on 1 Jul 85 and a phased approach to eliminating the private sector pay gap at the earliest possible time.

Retirement: Today's Air Force relies on having the right numbers of well trained and experienced people to operate and maintain our sophisticated weapons systems. High retention of these people, induced by a strong security package, is the foundation for sustaining this experience base. For military members, long-term security is provided by the retirement system. We know the retirement system is the most important retention incentive we have. The Air Force's statistics show that 80 percent of those who have reenlisted and entered the career force will serve until retirement. The financial security afforded by the military retirement system enables the Air Force to keep experienced mid-level NCOs and officers at a time when their earning power in the private sector may be considerably higher than what we will pay them. In return for their commitment and long service, our people understandably expect their retirement system will remain intact. They view it as an entitlement--justifiably earned--a contract guaranteeing a modicum of financial security when their military careers have ended.

Our members must be prepared to live anywhere, fight anywhere, and maintain high morale and combat efficiency under frequently adverse and uncomfortable conditions. They are asked to undergo frequent exposure to risk, long hours, periodic relocations and family separations. They accept abridgement of freedom of speech, political and organizational activity, and control over living and working conditions. These are all part of the very personal price our military people pay. For them, the retirement system is the "light at the end of the tunnel". It is fair, but certainly not lavish. It is not out of line with foreign military or private sector systems covering paramilitary employees such as police and firefighters. Seventy-five percent of retirees are enlisted. Our retirees don't draw half pay for life as many people believe. After 20 years, they may retire at 50 percent of basic pay which equates to about 35 percent of their paycheck.

The military retirement system has served the unique requirements of the military well. The system will continue to do so as long as it remains stable, provides our people and their families the entitlement they have earned, and fulfills the commitment made to them in return for the many sacrifices they selflessly make for our country. Preserving the strength of the military retirement system is vital if we are to maintain military forces capable of meeting our defense responsibility.

IV. ADDITIONAL ISSUES

European Troop Strength: The European troop ceiling continues to complicate the execution of national strategy. Since FY83 Congress has imposed constraints on the level of military manpower in Europe because of the perceived reluctance of NATO allies to adequately fund conventional defense capability. We believe the focus must be on the force requirements--that programmed growth is tied to countering a growing Soviet and Warsaw Pact conventional capability. The size and composition of US forces in Europe is designed to assist our allies in meeting three vital objectives: preservation of NATO's political integrity; deterrence of aggression; and defeat of any attack on NATO. These objectives require force modernization and new programs such as the ground launched cruise missile.

We have made many trade-offs to maintain mission capability and remain below manpower ceilings. To meet FY83 ceilings, we undermannned selected units rather than lose existing theater capability. This resulted in a loss of readiness. To comply with the FY84 ceiling, we returned two OV-10 squadrons to the CONUS, transferred a RED HORSE squadron to the ANG, cut programs such as bare base procurement, NATO prepositioning, communications and tactical air control capability, and undermanned units throughout the theater. To complete programs which USCINCEUR (the theater commander) has identified as "critical", lower priority theater assets must be sacrificed and conventional capability decreased if ceilings persist. We solicit Congressional support for the immediate elimination of arbitrary constraints on US military manpower in Europe.

General Officer Grade Relief: Congress has steadily reduced the number of flag and general officers since 1968, to the point that there are now fewer officers of flag rank than at any time since 1952. These reductions have severely constrained effective management of senior leadership positions. The most recent reduction, in October 1981, reduced the total from 1,119 to 1,073. As a result, DoD developed a Comprehensive Flag and General Officer Management Proposal (DoD 98-62) that was initially submitted to Congress in March 1982. To date, Congress has not acted on this legislation. As an interim measure, the Air Force requests the general officer strength ceiling be restored to the FY81 level of 1,119. In the event relief is not forthcoming, we again ask Congress to extend or make permanent the exemption granted in the FY84 and FY85 Authorization Bills, allowing us to assign a four-star general as commander of one of our major overseas combatant commands.

Civilian Personnel Management: Civilian employees compose a large and important segment of the Total Force. Their contributions improve readiness and mission accomplishment on a daily basis. While the Air Force supports the Administration's position on civilian pay and benefits, we are committed to keeping our civilian members full partners in the Total Force.

Civilian personnel management faces many of the same challenges as the military. In particular, attracting and retaining high quality people is both a necessity and an area of concern. The Air Force will be competing in a very difficult market as we continue to convert military positions to civilian and hire more civilians to monitor our spares acquisition process. Further, once we attract these technically oriented employees, we must ensure our personnel system responds to their needs for recognition, advancement, and security.

Funded Dependent Student Travel: Public Law 98-94 authorized an annual government-paid round trip for student dependents of members assigned overseas from the United States to the member's overseas duty station. Unfortunately, it excluded members stationed in Alaska and Hawaii from participating in the funded program. Since space-available travel on government-controlled aircraft is severely limited during holiday and summer months, these people continue to incur substantial costs for commercial transportation of their student dependents. This is extremely unfortunate because many overseas members are trapped by circumstances beyond their control. For instance, many of their dependents were already in college before their assignment to Alaska or Hawaii. It is often impractical, due to loss of college credits or financial aid (e.g., athletic scholarships, state grants, etc), to transfer to an Alaskan or Hawaiian college. Hawaiian schools limit non-resident admissions to 20 percent of total enrollment. Finally, schools in Alaska and Hawaii do not offer the variety of academic majors offered in CONUS schools (e.g., aerospace engineering, dentistry, industrial engineering, special education, nutrition, etc). Expansion of the funded student dependent travel program to Alaska and Hawaii would enable our people to avoid these problems and the financial burden of round trip transportation for dependents' annual family visits.

Privately Owned Vehicle (POV) Storage: There are circumstances beyond the control of Air Force people transferred to certain overseas locations (over 20,000 people in Japan, Korea, and Saudi Arabia) which restrict the transportation of a motor vehicle. When receiving orders which preclude shipment, our people are faced with the following options: selling the vehicle, storing it at personal expense, or leaving it with family or friends.

Since the member is moving to an overseas location at government direction, costs of POV storage should be borne by the government and considered as a direct cost of doing business in the same manner that household goods storage costs are paid when they are restricted from shipment. The Air Force supports legislation that will provide storage of a member's POV at government expense in lieu of shipment.

Locality-Based Flat Rate Per Diem: The reimbursement system for official travel is computed using one of two methods of payment, reimbursement of actual expenses or per diem. The actual expense method requires itemized expenses and extensive record-keeping which can be confusing due to the myriad rules and limitations on lodging and meal costs. Its use increases administrative costs significantly and results in a program which is cumbersome and difficult to understand.

The Air Force supports a locality-based flat rate per diem system which would (1) recognize the variance of lodging, meals, and related expenses in different areas and (2) simplify administrative procedures by eliminating requirements for lodging receipts and actual expense forms.

Survivor Benefit Plan (SBP): In 1972, the SBP was established to replace the Retired Servicemen's Family Protection Plan. Although the SBP is an improvement over the previous plan, participation has never approached the Congressionally desired level of 75 percent. The three major reasons cited for lack of participation are cost, integration with Social Security benefits, and irrevocability of election. In order to make the SBP more attractive to retirees, the Air Force supports the following changes (1) reduce future premiums by indexing the $300 amount to retired pay COLA, e.g., retired pay COLA of 5 percent would raise SBP base to $315, (2) make the amount of social security offset 50 percent of the Social Security benefit or 40% of the SPB annuity whichever is less, (3) allow a two year grace period after retirement to elect or decline coverage, and (4) suspend payments upon request for participants who marry another person already entitled to an SBP annuity. We believe these changes will significantly enhance SBP and increase participation from its current 54 percent level.

Drug/Alcohol Abuse Control Program: The objectives of the Drug/Alcohol Abuse Program are to prevent substance abuse, rehabilitate and discipline identified abusers, and discharge those who cannot or will not be rehabilitated. The Air Force continues to work to reduce the adverse effects of drug and alcohol abuse on our military, civilian, and family members and to insure they have a drug-free environment in which to work and live. We have improved our policies and management practices by clearly stating standards of conduct. We have also employed new approaches in our information and education programs. For example, an eight hour Senior Officer/Senior Non-Commissioned Officer Alcohol Orientation permits selected personnel to visit either an Air Force or civilian inpatient alcoholism rehabilitation facility to observe available services. A Driving While Intoxicated Initiatives Task Force coordinates and monitors all efforts to reduce both drunk and/or drugged driving. New lesson plans have been developed for classroom instruction to improve our ability to communicate the hazards of substance abuse, identify the availability of rehabilitation services, and explain the legal and career consequences of substance abuse.

The Air Force will continue to emphasize alcohol and drug abuse deterrence and take responsive rehabilitation/disciplinary action in order to get our people back to duty or, if necessary, discharged.

CONCLUSION

In conclusion, Mr. Chairman and members of the Committee, we have addressed requirements that will achieve a fiscally responsible force, capable of meeting Air Force worldwide commitments. We are concerned about the impact a robust and healthy economy, characterized by lower unemployment rates, improved job stability, comprehensive benefits in the private sector, and increased demand for high technology skills will have on our ability to recruit and retain high quality people. As we look to FY 86 and beyond, we once again seek your continued support for our programs and initiatives to help counter these factors. Your support will continue the momentum of the past four years and insure our readiness.

The CHAIRMAN. Thank you, General Cassidy.
General Maloney.

STATEMENT OF LT. GEN. W.R. MALONEY, DEPUTY CHIEF OF STAFF FOR MANPOWER, U.S. MARINE CORPS

General MALONEY. Thank you, Mr. Chairman, for the opportunity to again appear before this subcommittee, this time to present the Marine Corps fiscal year 1986 manpower requirement.

I, too, will summarize my full statement, which I ask be inserted in the record.

This year the Marine Corps is requesting Conservative, Active, and Reserve end-strength increases of only slightly more than 1,000 each, with an additional 400 in civilian strength, increases which maximize the capabilities of each of these interrelated parts of the total force. These modest increases are essential to continue the modernization plan established and announced several years ago.

As I'm sure you will recall, in the early 1980's, we announced a plan of deliberate steady growth in Marine Corps structure designed to build a more modern active-duty peacetime force by fiscal year 1988, with corresponding increases planned in end strength to man that new structure; 10,000 of the 11,000 increase authorized or requested during the last 5 years has been directly distributed to combat units.

This year, because of fiscal constraints, the corps has deferred the planned active duty end strength growth to 201,700 asking only to reach 199,500 originally requested in fiscal year 1985. Despite this self-imposed strength, we are continuing to accept the 3,800 new structure requirements planned for fiscal year 1986, as much of this increase is tied to equipment already in the procurement pipeline. This decision will result in lower manning of the force, a situation made acceptable only because of the level of quality we've been able to recruit and retain.

The Marine Corps today is the most combat ready force to have carried that name. It is a force composed of educated, patriotic officers, and enlisted marines. A force believed impossible to achieve just a few years ago. We have satisfied requirements in fiscal 1984 with the highest quality marines ever recruited or commissioned, and this success has enabled our field commanders to devote all of their time and energies on missions and needs of the total force instead of on the problem cases which took so much of their attention just a decade ago. Readiness throughout the Marine Corps is up. Our success can be measured in increasing quality of marines who are recruited and retained.

Our success is due in no small measure to your efforts. Congressional support for the selective reenlistment bonus and enlistment bonus programs are but two examples of this continuing and essential support, so vital to attracting and retaining the right marines. This support is then supplemented by effective management, which shows daily improvement as we strive to better use this essential resource, manpower.

Our success in force management is evident in many areas, such as improved stability and reduced turbulence made possible through utilization of the Unit Deployment Program, conversion of unaccompanied WESTPAC tours, and adoption of a sound level-load recruiting plan. It can be clearly seen in improved modernization capabilities with continued and concentrated total force participation in exercises. Progress can also be fully documented with marked reduction of acknowledged drug and alcohol abuse within the Marine Corps.

Our plan for fiscal 1986 primarily builds on the successes already achieved, and fine tunes programs to maintain high levels of readiness with proportionately fewer people to man ever-increasing requirements. Your continued help is essential so that we can do our job.

In addition to support of our fiscal year 1986 budget, your assistance is being sought in separate legislation for DOPMA a grade relief and increased general officer authorizations, two initiatives needed for our officer corps in order to meet legitimate internal and external commitments. Additionally, we need your continued help for consistent quality of life and institutional supports for the military family, both those and their families currently serving and those who have fulfilled their commitment and now stand as a major pretrained mobilization asset, our retirees.

A strong interwoven compensation system founded on effective military pay and benefits and reasonable family supports is essential to attract and retain a quality Volunteer Force. When we lose a career marine, it takes years to replace him, you might say our people are homegrown. We need to find and train several recruits, wait 4 years to see who has the talent and desire to continue with us, then wait an additional 4 years until he or she reaches the maturity and experience level of the one who left 8 years before. We cannot afford the cost in readiness or corrective action of an excessive loss in the career force, such as that we experienced in the mid- and late-1970's. It has taken a decade of our joint efforts to rebuild to our current ready force level. This success must not be jeopardized.

Equally important is the area of family support. So many spoke of that area today. As Mrs. Schroeder said, not many years ago, the Marine Corps espoused the philosophy that "if the corps wanted you to have a family, they would have issued you one." But over the last decade, we have come a long way in realizing the significant and stabilizing contribution of the silent partner, the family. Additionally, today a greater percentage of marines are married than at any time since the return to the All Volunteer Force system; 70 percent of our officers and 40 percent of our enlisted marines are married. Another 2 to 3 percent require support for children or parents. Our military families are entitled to support, which we try to consistently maintain whether the member is present or away from the family. We appreciate those efforts of Representatives Schroeder, Panetta, and Coats that we've already noted. But we would like you to recognize that we have already recognized the needs and have established family support programs, such as the family services center, to help deal with unique problems and situations found in military life, as well as family advocacy programs which defuse problems created by increasing tensions and stresses of our society. These supports impact directly on morale, retention, and finally, combat readiness of our force. These supports need to be continued.

Finally, your Marine Corps today is not an accident, but a product of long-term planning, support, and leadership which we jointly can be proud of. Your continued support is both needed and requested to maintain the positive momentum.

That concludes my comments, Mr. Chairman. I'd be pleased to respond to any questions. Thank you, sir.

Prepared Statement of Lt. Gen. W.R. Maloney

Mr. Chairman, distinquished members of the subcommittee:

It is a privilege for me to again appear before you, this time to present the fiscal year 1986 request for Marine Corps manpower. Our collective efforts to define, approve, and execute manpower requirements will, in large measure, determine the readiness of the Corps this next year and in the future. For fiscal year 1986 we are requesting an active duty military end strength increase of 1,200; Reserve increase of 1,262; and civilian increase of 403. These modest additions are needed to support current and new requirements in our force. My statement will focus on the state of our current force both as it relates to peacetime and wartime capabilities; underlying concepts and programs that direct and guide this force; expected progress and needs in fiscal year 1986; and support areas which still require attention. The Marine Corps continues to pride itself in planning for and providing the right force, both in quality and quantity, to meet our unique missions and responsibilities. Our plans for fiscal year 1986 primarily build on the success achieved last year, attempting to refine programs to maintain the high levels of readiness with proportionally fewer people to man ever increasing requirements.

TOTAL FORCE

Concept

The Marine Corps is committed to a total force concept that stresses a responsive, fiscally responsible, active and reserve force mix. Within these bounds, decisions are made through a deliberate process that crosses many staff lines. This practice ensures that the essential criteria of peacetime commitment, force projection, responsiveness, manpower constraints, and rotation base are considered in assigning a function to the proper active or reserve community.

We constantly review our missions, structure, and manning, making appropriate changes consistent with our role as the nation's Force-in-Readiness. These reviews serve as the basis for force structure decisions reflected in our annual budget. During program development, we attempt to restructure limited active and reserve component assets to provide for modernization, compatability of elements, and maximum readiness. Our program complies with the statutory mandate for an active Marine Corps consisting of not less than three divisions, three aircraft wings, and appropriate support. The law thus provides a great deal of latitude for internal realignment, the flexibility needed to meet DOD guidance and the means to adjust to resource limitations. The active elements in the Marine Corps are organized into three Marine Amphibious Forces and support establishments. The structure of the active components, along with our Reserve Division/Wing/Force Service Support Group team, constitute the peacetime Marine Corps.

Our reserves participate in the total force decision-making process as full partners, whether developing war plans or conducting daily general business to ascertain equipment, mission, and structure distribution. Only through this close liaison can we ensure that both the active and reserve components maintain the constant state of readiness needed to rapidly expand combat forces during a national emergency.

Active Force Requirements

The Marine Corps has been following a long-term, well-announced, conservative, and deliberate pattern of growth in both active force structure requirements and manning to support essential modernization efforts. For the most part, manning is scheduled to support new equipment and systems already in the procurement pipeline. The structure increase planned for fiscal year 1986 supports addition of anti-tank (TOW) platoons and a Light Armored Vehicle (LAV) battalion, continued reorganization and equipping of artillery units, and transition to more modern aircraft.

Although structure growth, equipment, procurement, and systems acquisition continue as previously scheduled, planned growth in manning has been slowed as a result of fiscal constraints. The result has been reduced manning of legitimate structure requirements. Our authorized fiscal year 1985 end strength of 198,300 only provides manning for 89.4 percent of the Fleet Marine Forces (FMF). This level will drop in fiscal year 1986 to 88.9 percent despite a requested end strength increase to 199,500, as the amount of structure added exceeds the manning to support it. We would like to request greater growth in fiscal year 1986 to improve manning and readiness in the FMF. However, in recognition of current fiscal concerns we have limited our request to the end strength initially requested for fiscal year 1985.

Active Duty Manning

The Corps continues to benefit from the growing national pride in the United States. We have been very successful in finding and retaining that quality patriot needed to fill our authorized manning level. In fact, in fiscal year 1984 we remained within two percent of the planned level of manning throughout the year. Even that deviation was not caused by accession failure, but by higher losses than planned in some attrition and separation categories which countered retention success in other areas. Funds saved through this lower manning, albeit small, were used to offset increased costs of manpower, specifically in dependency and quality of the force.

Last year, we experienced an unforecasted growth in both the percent of married Marines and in quality of the force. The increase in marriages caused a greater need for support funds than budgeted. In order to better assess future needs we have initiated a study to evaluate these changing trends in the area of dependency. Another important costing change this last year emanated from the unexpected side effects of improving quality of Marines entering the Corps today. This latter change is difficult to quantify, but does have direct monetary impacts in areas such as fines, longevity, grade growth, and fewer early separations. While decidedly a positive change for force commanders, improved quality does expand costs in our already fiscally constrained budget.

Over the past few years, the computer has become a real boon in assisting us to manage our limited manpower assets. Sophisticated models have been developed to aid in force management and individual planning. These models have proven invaluable in delicate and often time-sensitive planning tasks. However, I must emphasize that automated support is only that -- support. Computers aid decision-makers; they can never replace them.

Officers

This past year the Marine Corps accessed 1761 lieutenants and warrant officers who as a group had the most sterling credentials of any accession group in our history. This success was achieved while attaining both affirmative action and skill specialty goals. Concurrently, we continued to make great strides in managing the officer corps, doing a much better job of defining our requirements while continuing to improve management techniques that help shape that community to meet documented needs. However, our long term management planning is complicated by the grade distribution in the Marine Corps, in that 71 percent of the our commissioned officers are in the lowest three grades. Nevertheless, we can and are improving our management control over and use of the officer corps.

The only significant obstacle in shaping the officer corps is posed by the Defense Officer Personnel Management Act (DOPMA), although on the whole we are very pleased with the consistency and standardization brought about by passage of this Act. DOPMA streamlined many of the old Officer Personnel Act procedures and required that the Services adopt compatible rules and procedures governing promotions, retirement, and other common areas. We do have problems, however, with the field grade ceilings imposed by DOPMA. Specifically, the ceiling on the grade of major causes us to move out of the years of-service promotion timing window intended by Congress for that grade and limits us to fewer majors than we need. The shortage of majors forces an inordinately high level of grade substitution and limits our full participation in the joint arena. Grade relief has been proposed. I would like to emphasize that the requested relief will not increase the active duty strength of the Marine Corps, but simply allow us to redistribute present officer assets, thus permitting more officers to serve in the grade of major. Your support is needed on this critical issue. The Comprehensive Flag and General Officer Legislation submitted to Congress is also of great importance to the Marine Corps. In addition to maintaining the Congressionally desired control over the number of flag and general officers, this legislation enables the Services to properly staff important internal and joint billets and to plan for long-range leadership requirements. We solicit early consideration of this important piece of legislation.

Enlisted

As with the officer needs, we satisfied all enlisted requirements in fiscal year 1984 with the highest quality Marines ever recruited, both in numbers of high school graduates and higher mental categories. Our young people realize that they need highly technical training to take part in this growing economy and that a tour of duty in the Marine Corps can equip them with more competitive skills. They look for the challenge and opportunity to become self-reliant, with direction and discipline. Consequently, the Marine Corps was able to meet all recruiting goals last year, while continuing to raise standards. Over 95 percent of all non-prior service regular male recruits were high school graduates, and over 96 percent scored in the upper three categories of the Armed Forces Qualification Test.

Quality has also steadily improved within the force itself. The infusion of a greater number of educated, more intelligent Marines and the resultant decrease in disciplinary problems have allowed local field commanders to focus on the mission and needs of the total command.

Field commanders are also benefitting from a major policy change in the pattern of recruit accessions, called level load. The new policy shifts to a more even recruit input to the training depots through the year, reducing summer personnel turbulence in the operating commands. Level load actually began in 1983 and was formalized as a program in 1984. Although the full impact of this program will not be realized until 1987, when separation patterns of those leaving active duty mirror the level accession process, some benefits have already been achieved in meeting training seats, smoothing turbulence, and increasing combat readiness.

In order to make maximum use of the training provided to our Marines while minimizing costs, we are all working at improving precision in our personnel assignments. On a day-to-day basis, we try to ensure that the right Marine is sent to the right job, at the right place, at the right time. These four "rights" are key to our management concept at every level of command.

Our assignment management goal is to match the personnel inventory with the authorized positions selected for manning both in skill and experience level. Given the dynamic nature of our Corps and essential training time for many skills, this process must be monitored and modified constantly. The Selective Reenlistment Bonus (SRB) program has been an essential control tool in helping us retain that right Marine. With careful use of this program, critically short enlisted MOS skills were reduced from 141 to 75 during this last fiscal year. This process of reducing shortages was essential prior to accepting new structure for fiscal years 1985 and 1986. Despite our success, shifts in the population being supported and changing requirements mandate continuous refinement and reevaluation of the SRB program to best use limited resources.

We recently completed an in-depth look at the criteria used to identify critical skills and decided to focus use of this program only where a direct link could be established between the skill and readiness of the force. Concurrently, we developed analytical tools to better measure the relationship between skill inventory availability and readiness. These tools will be applied for the first time this year. We remain convinced that the SRB program is vital to reducing critical shortages in mission essential areas. Your decision to continue SRB and Enlistment Bonus (EB) program authorities for the next three years is both greatly appreciated and essential to attract and retain the "right" Marine for the "right" job, thus increasing effectiveness of both critical manpower and limited dollars.

Fiscal year 1984 was a banner year in total reenlistments for the Marine Corps. By retaining well-qualified and proven Marines, the leadership and experience levels of the force were substantially raised. The combination of good retention, controlled use of SRB, and a vigorous lateral movement program significantly contributed to reducing skill imbalances throughout the Corps to the lowest level attained in years. Thus far in fiscal year 1985, the Marine Corps is experiencing a continuation of the success realized last year as we apply these same manpower management and career planning techniques.

Training

As equipment and duties become more complex, a greater number of Marines need to be school trained in their assigned skill areas. Today, 95 percent of our new Marines receive formal school training following recruit training. Fortunately, as previously mentioned, the process of level load recruiting has greatly improved our ability to schedule and fill available training seats. Through careful planning and effort we have been able to keep pace with the growing need for training. This increased training allows us to both provide the greatest challenge and reap the highest benefit from the highly motivated, intelligent young people entering the Marine Corps today.

Civilians

The Marine Corps follows a very stringent policy requiring that civilian personnel be used to meet the needs of supporting activities to the maximum extent practicable, consistent with documented requirements to use military personnel only for reasons of law, training, security, discipline, rotation, or readiness. This policy permits us to more effectively man the FMF with Marines; improve FMF training, readiness, and manpower sustainability; provide continuity in operations; and provide specialized expertise to our supporting activities not otherwise available within the military community. Marine Corps civilian personnel are employed in a wide variety of professional, technical, and administrative functions.

Military and civilian manpower resources are integrated to maximize efficiency and avoid duplication of effort. Our request for 22,124 civilian personnel in fiscal year 1986 is necessary to continue to meet mission responsibilities while maintaining minimum military strength levels. Any degradation of civilian levels will result in a drawdown of military manpower from the operating forces, resulting in a decrease in readiness.

Women Marines and Minorities

Women Marines have been a continuous and integral part of the Marine Corps since 1943, serving, as do all Marines, where they can best support the needs of the nation and the Corps. Since 1974, while the total Marine Corps end strength has remained virtually constant, the number of women on active duty has nearly tripled, to approximately 650 officers and 8,600 enlisted women. To ensure that maximum benefit is being derived from this resource, we recently completed a review of the classification, assignment, and deployment policies for enlisted women Marines. The primary goal of this review was to ensure combat readiness of our Marine Air Ground Task Forces, while providing fair and equitable opportunity for career progression of all Marines. A similar review is underway for women Marine officers.

The policy review for enlisted women reaffirms that women should continue to serve in 35 of 39 occupational fields, with an increase from the present strength of 8,600 to about 10,500. Most of the growth in this population will be in the senior enlisted grades. Decisions from that review are being implemented now. However, a number of these decisions will take several years to reach full fruition. Women will continue to serve in the FMF and throughout the supporting establishment in time of peace and during war.

A recently completed study on minority officer selection and a related ongoing study on retention have been the cornerstone of our efforts to increase our minority officer population. Additionally, efforts to provide a fair and balanced distribution of minorities within occupational fields continue to show progress.

Marine Corps Reserve

The Marine Corps Reserve maintains highly trained units and qualified individuals available for active duty in time of war or national emergency, thus providing a ready mobilization resource. The Ready Reserve, consisting of the Selected Marine Corps Reserve (SMCR) and the Individual Ready Reserve (IRR), potentially can provide an additional 90,000 Marines to the active forces on mobilization. Most of the initial remaining need will be met through the recall of certain classes of retirees.

The Ready Reserve pool is composed primarily of former Marines completing their military obligation. Last year, Congress increased the National Military Obligation of male citizens from six to eight years. The impact of this decision will not be seen in the Ready Reserve until fiscal year 1990. At that time, the manpower pool (primarily the IRR) will be increased, as will the percent of reserve support available on mobilization. However, despite the obvious advantages of this increase in military obligation, it creates some unique problems in the IRR. For example, we anticipate problems with skill atrophy, the mechanics of refresher training, and the maintenance of correct addresses for members of the IRR. In compliance with your direction, we are developing plans to alleviate these problems.

Readiness and Mobilization

Peacetime readiness of both active and reserve units is assessed on a monthly basis through the Unit Status and Identity Report (UNITREP) and other systems. The UNITREP system provides broad data necessary to plan for peacetime operational commitments by identifying current strengths and logistic support capabilities by unit throughout the Marine Corps. Despite unique problems caused by unavoidable periodic personnel turbulence and our small size, our systems confirm that we are maintaining the required high level neccessary to continue as the nation's Force-in-Readiness.

Our primary task at mobilization is to fill the force to wartime strength. Pre-trained manpower from the Marine Corps Reserve and retirees provide initial personnel for both operating forces and the supporting establishment. Our plans call for activating the 4th Marine Division, Wing, and Force Service Support Group Team (4th DWT) to selectively augment and reinforce the active forces, in order to field three Marine Amphibious Forces (MAF's) at full wartime structure and provide a Reserve Marine Amphibious Brigade. If augmentation or reinforcement is not required, the 4th DWT could be formed for potential employment as a separate force. Towards this effort, the strength of the SMCR has been steadily increased, a growth of approximately 13 percent since 1980, with a projected goal of 43,019 in fiscal year 1986. Simultaneously, quality has been improved by increasing the number of high school graduates and higher mental category accessions. Today, 92 percent of our SMCR Marines are high school graduates.

The IRR provides the critical source of individual fill and replacements needed to support both active and reserve units. The decline in that population, which fell by almost 15 percent between fiscal years 1980 and 1983, was finally reversed. The IRR is scheduled to grow to 50,000 this fiscal year and to reach 52,000 by fiscal year 1990. That steady growth will dramatically accelerate in 1990 as a result of the change in obligated service, almost doubling this mobilization asset population by end of fiscal year 1991.

Whereas the IRR and Standby Reserve are scheduled to fill shortfalls in the active operating forces and reserve units throughout the Corps, retirees (the final pre-trained asset category) will be used primarily to fill supporting establishment billets within the continental United States. Only 41,079 of our current inventory of 84,358 retirees are considered "best qualified" for purposes of mobilization by reasons of age (under age 60), current involvement (retired less than 10 years), and physical readiness. The Marine Corps has begun to preassign selected retirees to specific wartime billets wherever possible to minimize mobilization turbulence. Because of the requirement for early mobilization support in the Military Entrance and Processing Stations (MEPS) and Marine Corps Casualty/Family Assistance Teams, we have initially focused our assignment efforts on these organizations.

We continue to participate actively in major Joint Chiefs of Staff sponsored exercises to test adequacy and executability of our current and future mobilization plans. Through these exercises, we have demonstrated both the flexibility and responsiveness of our mobilization system by qualitatively filling 91 percent of our wartime requirements. We have also successfully identified shortfalls in our system through this process. For example, tests during exercise POWDER RIVER in the fall of 1984 highlighted inadequacies of a locator system to reach pre-trained manpower assets, such as young IRR's who frequently move and retirees who use the check-to-bank deposit system. This problem is expected to worsen with the increase in obligation and number of Marines in the IRR. Resolution may require access to external data bases, possibly to include Internal Revenue Service and Social Security Administration records.

Of course, filling the Marine Corps to wartime strength is only half of the problem. Equally as important is the ability to sustain that force in combat. A major concern in this regard is for adequate in-theater medical health care needed to minimize loss and reduce personnel replacement requirements. Without this support our ability to sustain operations will be seriously impaired. Your continued support is needed for Navy medical programs which improve our posture in this area.

QUALITY OF LIFE

The Marine Corps applies the term quality of life to any program or support that contributes towards a quality work or living environment for our Marines and their families. These programs enhance morale, help retain quality personnel, and lead to the maximum possible personnel readiness.

Compensation

We must continue support for a strong interwoven compensation system founded on effective military pay. Pay is an effective tool to attract and retain quality Marines as long as it compares satisfactorily with private sector wages. Additionally, comparability must be accompanied by a cost of living pay adjustment mechanism that provides our military community a stable and predictable index, delinked from the instability of pay caps, freezes, and annual public debate. Regardless of the equity of the final decision, the current process of approving an annual pay raise itself breeds uncertainty and apprehension.

Military benefits and entitlements, coupled with adequate pay, help our Marines and their families meet the unique aspects of military service. While Marines accept personal sacrifice, they deserve reasonable and easily understood benefits as part of their larger compensation support system. These benefits offer assurance to Marines that in their absence support will continue for those who so patiently wait year after year without question and with great devotion -- the silent partners, their families.

Health care, commissaries, and other family support programs have a significant influence on retention. Although basic family health care has long been a support program, beginning 1 July 1985 these benefits will be expanded, providing dental treatment on a limited space available basis to dependents. While this is an essential extension of support, there are some inherent problems in the program. DOD proposes to correct these problems with a contributory dependent dental plan being developed for your consideration. I urge your support for this very important plan.

Similarly, the military commissary system remains very important to both Marines and their families. This traditional support aids the whole family unit during extended periods of deployment when essentially one household must exist as two. This support ensures availability of customary quality foods, through a convenient and familiar facility, regardless of worldwide location or length of residency.

Your support for, and subsequent approval of, increasing the Monetary Allowance in Lieu of Transportation (MALT) from $.13 to $.15 per mile last year is appreciated. Nevertheless, our Marines continue to absorb out-of-pocket costs associated with permanent change of station moves, which are primarily involuntary. As a minimum, additional support should be provided to: fund previously authorized temporary lodging expenses; remove the ceiling on military household goods weight allowances; provide per diem for dependents during directed PCS moves; eliminate the cap on per diem rates; provide a realistic automobile operating allowance; and pay BAQ/VHA beyond 90 days when sea or field duty is involved.

We are most appreciative of your efforts to eliminate limitations on BAQ/VHA entitlements. However, a greater concern has surfaced as a result of the Treasury Department proposal to disallow full income tax deductions for housing costs. If implemented, this decision will result in an immediate individual pay loss of two to six percent of total earnings. We cannot burden our Marines with the resulting alternative of unaffordable or unacceptable housing. Military personnel must be exempt from provisions of this ruling. Your personal assistance is requested in this extremely sensitive area.

Concurrently, we seek your support in enacting legislation to implement the recommendations of the 5th Quadrennial Review of Military Compensation regarding special and incentive pays, which we find are reasonable, fair and necessary. These pays affect each of the Services and provide strong management tools to help develop and maintain the force.

Lastly, we remain committed to the military retirement system which is our most powerful retention management tool. It supports our most important resource -- people -- during lean years, provides an essential pre-trained mobilization asset, and fulfills our part of a long-standing contract already faithfully completed on the part of the retiree. Any change in the military retirement system must be considered in the context of the total force and weighed carefully against our national security and force management objectives.

Permanent Change Of Station (PCS)

The ability to move Marines by permanent change of station (PCS) orders is vital and integral to management of the force. Both the general area of PCS and the six subordinate move categories must be considered in relation to an overall manpower plan. Each of the move categories is interrelated, yet supports a different aspect of the total plan. For instance, reduction in rotation moves through expansion of the Unit Deployment Program might well result in increased operational moves to fill isolated billets in the U.S. previously filled by the Marines returning from overseas.

The Marine Corps closely plans and monitors PCS moves and, wherever possible, reduces their requirement. Planned reductions will be seen, for instance, in rotational moves as more billets in WESTPAC are converted to accompanied status. With the increase in family support facilities in Japan (houses, commissaries, schools, etc.,) funded by both the Governments of Japan and the United States, we have already converted 800 unaccompanied billets, with 3,800 possible additional conversions planned in the next few years as additional family quarters and support facilities can be completed.

PCS is a complex and interrelated management tool, and we need maximum flexibility to handle this program at minimum cost, while still maintaining the ability to function operationally. Reductions in number of moves or in dollars associated with these moves cannot be offered up from this program to offset other initiatives such as MALT, regardless of their worth. As with all our programs, the Marine Corps continues to present the most current and honest estimate of minimum requirements and attempts to conscientiously manage the allocated resources. This practice precludes both waste and the capacity to divert resources to support other programs.

Unit Deployment Program (UDP)

Implementation of the Unit Deployment Program (UDP) has substantially reduced PCS requirements in addition to improving readiness, reducing turbulence, and increasing standardization. The UDP was developed as a six-phased evolution to convert individual, 12-month PCS based manning of Marine Corps infantry battalions and tactical aircraft squadrons and detachments in WESTPAC to a 6-month deployment of entire units. Begun in October 1977, the program was fully implemented by January 1983, reducing by 8,300 the number of unaccompanied billets and the attendant rotational PCS move requirements.

The primary purpose of unit deployment was to reduce personnel turbulence associated with 12-month unaccompanied tours in WESTPAC and to sustain maximum uniform readiness of tactical units throughout the Marine Corps. However, since implementation of the program, we have realized several significant additional benefits.

- Marines are now stabilized in the same tactical units for up to three years, leading to enhanced continuity of training and increased "leader to led" associations.

- Operational procedures have become more standardized throughout the Marine Corps as different units are routinely called to work together, increasing interoperability throughout the Corps.

- Family stability has been improved with reduced turbulence. Under UDP, families remain at the homebase during deployments, continuing to receive essential support from the parent tactical unit, school, church, social group, family service center, and facilities in the absence of the Marine sponsor.

- Finally, the heavy costs of PCS moves, both those charged to the government and those absorbed by the Marine family, are saved. The requirement for 11,600 PCS rotational moves annually was eliminated through conversion to the UDP system of 8,300 unaccompanied billets in WESTPAC. The government alone has saved in excess of one million dollars annually through this program. When transient manyear savings are added, the savings are more dramatic. Since the program began in 1977, these savings have provided an aggregate spending reduction of $64.3M to man the force. Additionally, with the costs of each PCS move rising at a more rapid rate than UDP costs (per diem and transportation), it would appear that these cost savings will continue.

In response to the tremendous success of this program, the scope of UDP is being expanded. A plan to include several combat support units is currently under development with planned phased integration of tanks, assault amphibian vehicle (AAV), and direct support (DS) artillery units into the program, beginning with tank and AAV units. Expansion will allow further reduction in PCS billets, rotational moves, and funds to support those needs in the WESTPAC area, while continuing to improve readiness of tactical units.

Drug and Alcohol Abuse

During 1982, the Marine Corps established a policy of non-tolerance of illegal use of drugs and abuse of alcohol. At that time, we implemented the urinalysis program which became the primary deterrent in the "war against drugs." We firmly believe that Marines deserve and want a drug free environment. Urinalysis has proven to be instrumental in enforcing policies needed to attain that goal. Initially, there were start-up difficulties at the urinalysis screening laboratories; however, these problems have been resolved and steps taken to correct any potential injustice to current or former Marines. The urinalysis program now appears to be operating in an "error free" mode.

Today, we have dramatic evidence that our drug deterrence program works. While in 1980 the admitted drug abuse rate in the Marine Corps was 37 percent, the 1983 Marine Corps Substance Abuse Survey documented a reduction to 17 percent, with an estimated further reduction today to approximately 10 percent. We believe that the upcoming 1985 DOD survey will document further declines in drug abuse. Of those surveyed in 1983, 66 percent acknowledged that the urinalysis program was a major deterrent to their personal illegal involvement with drugs. We credit this key program, coupled with aggressive, informed leadership with our tremendous success in this vital readiness related area.

Similarily, the admitted per capita rate for alcohol consumption in the Marine Corps has been reduced. The number of heavy drinkers (6 or more drinks daily) has dropped by 50 percent into light-to-moderate use category through aggressive awareness and education efforts. A major reason for success in curbing alcohol abuse has been development and implementation of reasonable and enlightened policies. The decision to consume alcohol is both a personal choice and legal right. It cannot be treated in the same manner as the illegal use of drugs, even though abuse of any substance is not acceptable. Accordingly, the Marine Corps has not declared "war" on alcohol, but rather has asked each Marine to examine his or her drinking behavior in terms of military "readiness" and to assure it is and remains "responsible" behavior. To aid in this area, we designed policies and programs which deglamorize use of alcohol and offer healthy alternatives to consumption. At the same time, we have afforded treatment and rehabilitation to those affected by the disease of alcoholism. In this latter area, Marines have enjoyed an 85 percent success rate at the Navy Alcohol Rehabilitation Facilities, allowing rapid return of most Marines to full duty.

In light of our unique readiness mission and obligation to each other as Marines, the Corps cannot -- and will not -- lower its stand on the issue of substance abuse. Any valid detection or deterrent program will be refined and applied rigorously, fairly, and universally.

Family Services

Family Service Centers were established to help Marines and their families deal with those unique problems and situations found in military life. These centers coordinate information and provide referral service to other military and civilian help agencies. Trained professionals provide non-medical counselling in a whole host of areas, to include marital, financial, and personal affairs and stress management. There are currently 18 centers that responded to over 100,000 inquiries last year, 3,600 by use of a toll-free telephone line system. Family Service Centers are currently expanding their programs into areas of spouse employment, consumer affairs, and family advocacy as staff and funding become available. Support in pre-deployment and post-deployment briefings, relocation assistance, and outreach to isolated and special need families has expanded each year as our experience and needs in this area have grown.

The Family Advocacy Program helps our families when in stressful situations by increasing awareness in this sensitive area. Reports of family violence have increased as law enforcement, medical, child care, and command and school personnel learn to identify abuse and become more attuned to family stress situations. Early identification allows more immediate and effective intervention. While occurrences of family violence appear to be on the rise, improved education and assistance effectively reduce "actual" incidents and provide both proactive and reactive support for our people in a world of increasing stress.

Morale, Welfare, and Recreation Initiatives

Over the next five years, the nonappropriated fund construction program will start or complete 56 projects at a cost of approximately $56.7M, providing recreation and club facilities throughout the Marine Corps. Management of the construction process will be centrally controlled to ensure the best planning techniques, costing estimates, and design realities are applied. We believe quality recreation programs and facilities are essential to provide a wholesome alternative to drug and alcohol abuse as well as to help attract and retain quality Marines.

We are currently conducting a survey among patrons of the morale, welfare, and recreation facilities to determine actual facility use, leisure-time needs, and patron attitudes. Analysis of results will be used in prioritizing requirements for services, activities, and facilities. Club operations are also under study with a view towards streamlining structure, wherever feasible, to optimize use of limited nonappropriated funds.

A management information system is being implemented at major Marine Corps installations to enable managers and commanders to make more timely and informed management decisions concerning business operations of activities and programs. This system results in reduced general and administrative costs while improving support.

In a morale-related area, the Marine Corps is very interested in obtaining authorization to use nationally known credit cards in post exchange facilities. While this is not a budget issue, it expands usability of a very important quality of life benefit for our military families.

RECRUITING

The Marine Corps continues on a steady and successful course of commissioning and enlisting quality young Americans. As mentioned earlier, we enjoyed unqualified success in recruiting last year. Additionally, in light of the high level of retention, providing both stability and improved readiness, less than 40,000 new prior and non-prior service (NPS) Marines will be needed in fiscal year 1985. Reduced accession requirements are strongly influenced by three other factors. First, we now concentrate on four and six year enlistments, virtually eliminating three year terms of service. In fiscal year 1984, 93 percent of all those accessed joined for four or more years, as opposed to fiscal year 1981 when only 71 percent joined for this longer period. Second, your support of enlistment bonuses has greatly influenced our ability to enlist increased numbers of high school graduates in the high AFQT categories. Third, this infusion of dependable and trainable young Marines has resulted in significantly reduced attrition from the operating forces, as well as increased readiness.

With respect to accessions in fiscal year 1985, we entered the year well poised to maintain that momentum, starting with more than 47 percent of the total enlisted force NPS requirements in the Delayed Entry Program (DEP) pool. Additionally, over 98 percent of those in the DEP are high school graduates and seniors and less than 1 percent scored in AFQT category IV or below.

Three recruiting goals have been established for the remainder of fiscal year 1985 and fiscal year 1986. The first is to continue to access high quality youths to ensure high technology fields are manned with Marines capable of truly understanding the systems they operate, and to ensure we continue to expand the numbers of higher mental groups assigned to infantry, tank, amphibian vehicle, and artillery MOS's. Greater mental adaptability is needed to master complex new weapons systems, as well as understand our doctrine for tactics, fire support, and communications.

The second goal is to continue to strive for level input to the recruit depots, particularly during the historically lean, late winter to early spring months. The level load system is essential to take full advantage of available training seats and to minimize personnel turbulence in the operating forces.

And third, to continue to recruit to specific requirements of every Reserve unit in the country. In the past, we enlisted the total number of Reserves needed, but did so without thoroughly integrating manpower and training plans to ensure that Reservists receive MOS training upon completion of boot camp in the correct skill needed by his or her unit. Two years ago, our Reserve non-prior service enlisted accession goals -- by MOS and unit -- were met only at a 42 percent level for air and 72 percent level for ground units. This past year, we attained all our goals both by MOS and unit. This achievement greatly enhanced the posture of the SMCR.

We expect to meet challenges this year in our search for the right "few good men and women." Despite the positive atmosphere of patriotism and confidence so very evident today, we will need to compete against improving job opportunities in the private sector and declining numbers of high school graduates. Congress has been very supportive in providing tools to combat these problems, such as the Enlistment Bonus (EB) Program authorization and a new Veterans Education Assistance Act. These and other internal efforts should allow our goals to be met.

Ultimately, we have a very intangible but critical draw to the youth of America, the same draw we have always had and that is the challenge itself to be "one of the few, the proud." This challenge is fortified over time by the knowledge that Marines share that chosen life with others who value the sense of self-confidence, discipline, and commitment. The combination of these intangibles is unbeatable, and has and will always draw and unite Marines.

CONCLUSION

The Marine Corps today is the most combat ready force to have carried the name Marine. It is a force composed of educated, patriotic officers and enlisted Marines believed impossible to achieve not that many years ago. Our success is due in no small measure to the wisdom and past guidance of the Armed Services and Appropriations Committees in particular and the Congress in general. Our current manpower force is a product of long-term planning and constant supervision, not by accident. That same attention is currently directed to ongoing efforts to develop and prepare for the required quantity and quality force needed for tomorrow, action which will ensure that the Marine Corps will always be ready to meet its unique missions and challenges. We must and will find that right Marine for the right job, at the right place, at the right time. Once accomplished, manpower management becomes a matter of leadership, as eventually all issues do in the Marine Corps.

The CHAIRMAN. Thank you.

And thank you, all of you, very much.

Sonny Montgomery.

Mr. MONTGOMERY. Thank you, Mr. Chairman.

I'd like to also welcome the different services, the representatives here today.

Two areas I'd like to cover—really three.

Let me commend the service personnel chiefs for turning more reliance on the Reserves. As General Elton mentioned, the Reserves and the National Guard will be larger strengthwise in the Army than the Regular Army itself—I think that's what you said.

Mr. Chairman, I'll testify Thursday before this subcommittee that I have these initiatives that I mentioned earlier, but I'll talk about incentives, which incentives are best for the reservists, and I'll bring that up Thursday, which are working and which we need.

And the other subject I'd like to cover is talking about the GI education bill, which will be implemented on July 1, but it's a bill before this committee from my colleagues, if the chairman will let me bring it up after we hear our witnesses. It moves back the date of the GI bill. It's been requested by the Defense Department, from moving back from July 1, as soon as possible, the implementation of this bill. And I'll bring that up as soon as we finish here today.

But, Mr. Chairman, let me point out that we certainly pushed for the GI bill, but it was also beneficial to the services that we did accept—and I wasn't sure at one time we were going to accept to extend the Vietnam educational bill for another 10 years. And I know that the gentleman will agree that it was certainly to extend it for 1989 for those active-duty service personnel who have not used their benefits. It has been extended for another 10 years. And quite frankly, it's better than the Vietnam bill that they are under now.

But I would hope the other services would move ahead like the Army has done, and the Army has started an advertising program as of March and asking young men and women to look into the new GI bill, which we hope we can implement it sooner than July 1.

But the Army—and I want to commend the officer in the hall today, Major Selman, who has certainly worked and given us the information we needed, General Elton, about how this bill would work.

I don't want to get him in trouble, but he certainly did work with us when we were trying to come up with facts and figures on this legislation.

But I would hope that the other witnesses this morning would take a look at it. It has a 3-year test program, but let's try it. We know the VEAP Program has not worked. The percentage is way down on people using the VEAP Program. And we think we've got something out there. If it's workable, then we can go back and consider the transferability clause that I know the Navy and the Air Force are especially interested in.

Does anybody want to comment on the GI bill and what we might do to get it off the ground?

Admiral **Lawrence**. Mr. Montgomery, you gave me real encouragement to say something here when you stated that you'd like to see the other services move out in advertising the GI bill.

Our recruiting advertising budget is so lean in the Navy that we'd be delighted if you could help us resourcewise, because we want to advertise that very much.

And as you noted, the Navy advertising is rarely on national television, and our youth awareness is about the lowest of all the services as a result.

Mr. **Montgomery**. Well, you know, Admiral, the CNO of the Navy—and I have the only bill in, it's a partial draft, H.R. 1500, that would call up 200,000 young men a year at the discretion of the President. And we are running into a shortage of—shrinking of the manpower pool for 18-year-old males.

I would hope that this GI bill, if we could get it going in the Navy, would take up some of that slack. But the CNO of the Navy, Admiral Watkins, did say that was a problem out on the horizon.

I don't think we could pass H.R. 1500, other than if somebody was landing on our shores out there. But the bill has been introduced and it is in.

General. **Maloney**. Mr. Montgomery, I appreciate the opportunity to comment on the timing of the eligibility for the new GI bill. We very much want to have it advanced to an earlier date so that we can be honest, not only in advertising, but in discussions with our recruits, yet still continue the recruiting flow in the near future, rather than cause a delay until after the first of July. These recruits should still be eligible for the program.

We don't want to be in a position where we would have people say that we had misrepresented something to them because they enlisted in June and were ineligible because they entered prior to the first of July. So, we so strongly support your initiative to have the date moved forward so that marines entering the corps today would be eligible.

Mr. **Montgomery**. My time is up, but I would like to emphasize to the personnel chiefs that I believe we will be able to get this legislation through the House by next Tuesday, and then we'll go to the Senate. And if you feel as strongly—and I believe you do—if you help in the Senate, we could get it done very quickly, I believe.

Thank you, Mr. Chairman.

The **Chairman**. Bud Hillis.

I welcome the ranking minority member of the committee and give you a chance to ask some questions.

STATEMENT OF HON. ELWOOD H. (BUD) HILLIS, A REPRESENTATIVE FROM INDIANA, RANKING MINORITY MEMBER, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

Mr. **Hillis**. Well, thank you, Mr. Chairman.

First, I want to apologize for arriving late this morning. I just got off the airplane, getting back from my district. And I have an opening statement I'd like to just make part of the record.

The **Chairman**. Without objection.

PREPARED STATEMENT OF HON. ELWOOD H. (BUD) HILLIS

Mr. Chairman, I apologize for arriving late this morning and would like to take this opportunity to welcome this distinguished panel of service manpower chiefs: General Cassidy from the Air Force, General Elton from the Army, General Maloney from the Marine Corps, and Admiral Lawrence from the Navy. We appreciate your taking the time this morning to talk with us about the status of the armed forces and about your personnel priorities for fiscal year 1986.

I would also like to thank my colleagues, Congresswomen Schroeder, and Congressmen Panetta and Coats for their research and testimony on military family issues. I share their concerns in this area, and hope that we can provide some additional assistance to families in the coming year.

Over the next few months, the subcommittee, the full committee, and the Congress as a whole once again will face tough decisions with regard to defense spending. As you know, there are vices in the Congress calling for limited real growth in defense spending—something on the order of 3 percent for fiscal year 1986; others are calling for only enough growth to keep pace with inflation; still others are talking about real decreases in defense spending levels. Unfortunately, with this climate in the Congress, it is not a good year for expanding benefits or significantly improving compensation—but we will try to do what we can.

It is important to maintain the people gains we have realized over the last four years and not to return to the quality and quantity deficiencies of the late 1970's. Gentlemen, I was encouraged in reading your statements by your on-going recruitment and retention successes. I believe that the Congress should approve an adequate pay raise and fund improved PCS reimbursements wherever possible in order to keep up our military personnel successes over the next few years. I hope that we will be able to do so.

Once again, thank you for timely and through reports. Thank you. Mr. Chairman.

Mr. **HILLIS**. And I just have a couple of questions.

One that concerns me deals in the area of the pay raise, gentlemen. And the fiscal 1986 budget, as presented by the President, requests—well, it contains a 3 percent military pay raise effective July 1 this year and along with it a 5 percent civilian pay cut effective October this year, going into the 1986 budget—fiscal year.

In my opinion, it's highly unlikely Congress would approve a 3-percent increase in military pay in July and then turn around and cut civilian pay 5 percent effective in October.

If Congress, instead, would choose to do neither and to freeze military pay for fiscal year 1986, what impact would such action have, in your opinion, on recruiting and retention? And could each of your branches hold their own for 1 year under a pay freeze if this is included as part of a governmentwide cost-saving proposal?

EFFECT OF A PAY FREEZE

General **ELTON**. Mr. Hillis, we have taken a look at that very question, because we sensed that that pay raise might be in some degree of jeopardy.

We've looked at it all through a 5-year plan. Loss of the raise could contribute to the loss of as many as 6,000 or our senior career NCO's, E-5 and above, during a 5-year period.

Could we weather the storm?

We'll try very hard in other ways to try to offset the loss. Still we feel that just outright we could expect some of our senior people will decide to leave.

Admiral **LAWRENCE**. Our analysis provided data similar to that of the Army. We didn't know we would lose several thousand of our personnel if we do not receive the pay raise. We're already beginning to see a turnaround in our retention in the Navy from what was apparently a peak last year. I think retention is more sensitive to the pay disparity than recruiting and we are seeing this change in retention to a degree because of the pay disparity which has developed. By all of our analyses, using the Employment Cost Index or the PATC Index, the disparity between military and private sector pages, between 10 and 15 percent.

So, I think there's no question that with a pay freeze, that you'll see quite a few of our people leave.

I think the critical question that has to be addressed is do we wish to put ourselves into the downward spiral that we saw in the 1970's, in which we were forced to inject considerable resources into the pay budgets to pull ourselves out of that spiral?

I believe it would be more cost-effective to sustain the good personnel posture that we have today than to allow ourselves to go into the downward spiral that might recur with continued pay-capping.

General CASSIDY. Our opinion is much the same.

We have several econometric models that we can project out for both the officer force and the enlisted force, what will happen if something occurs.

One, of course, is a pay raise, if that does not occur.

Another one is if we do not keep up with inflation—and really, the 3-percent pay raise, although it is a pay raise, is really barely keeping up with inflation.

Our models show us that if we do not keep up with inflation—and we have some pretty good empirical data to fall back on, that which we gained in the late 1970's, when we had an absolute hemorrhage of people. We had several pay caps, and we did not keep up with inflation in that era. And we—our models would show us that we would lose at least 65 more trained pilots, aviators, if we did not get the 3 percent or if we did not keep up with inflation, and something like 2,200 or more enlisted people out of the enlisted force if we do not keep up with that.

So, those are some numbers we deal with to try to quantify it. And, of course, they can be affected by many things.

What we're really more concerned with is if we show a lack of interest on the part of the Congress or a part of the leadership, a part of the Nation as a whole, and all of the things begin to come together at one time, attacks on retirement, attacks on quality of life, attacks on all sorts of things which seem to bunch up on the guys out there, and they tend to leave us in droves. And that's not predictable, that's not modelable.

So, we, indeed, think that there will be some effect, sir.

Can we weather it? We have in the past. It's been costly.

General MALONEY. Yes, sir. I can only add to what my colleagues have already said, that the perception is probably the most important negative impact, and that really is incalculable. There's no way of modeling what's going to happen, because it appears as though it would be a double cut if there were no pay raise July 1985 on top of a freeze next year. We would be able to weather it, but we would be losing an awful lot of our key NCO's.

The CHAIRMAN. Pat Schroeder.

Mrs. SCHROEDER. Mr. Chairman, in the interests of time, I would ask unanimous consent to submit some questions for the record.

[The following questions were submitted to the witness to be answered for the record:]

MANDATORY HIRING PREFERENCE FOR SPOUSES/DOD POSITIONS

Mrs. SCHROEDER. You discuss mechanisms to assist family members in securing employment. Since you recognize that employment opportunities for family members are a factor in the quality of life of a family, and since the Department of Defense hires so many civilians anyway, would you have any objection to giving qualified spouses mandatory preference in hiring for DOD civilian positions available in the areas where the member is serving?

General ELTON. I have no objection to preference for family members who are obligated to leave Federal jobs to relocate with a sponsor. Army's Priority Placement Program for family members has enabled many Army employees to continue their Federal careers and the Army to retain trained and experienced employees in its civilian work force. We will continue to use and refine the Army program now that OSD has approved it for permanent use. The program serves to lessen the disadvantages faced by family members, to include eligible dependents other than spouses, of the military as well as civilian work force, when they must interrupt their own employment to accompany and support any Army sponsor.

Family members have received preference in hiring in certain overseas positions for over 12 years. The policy has been a help to thousands of family members by giving them the economical and personal gratification of employment while overseas, and opening doors to permanent employment when they return to CONUS. By applying valuable work experience or earning eligibility under Executive Order 12362, these family members increase their competitive edge for continued Federal employment. We will continue to support policies which enhance the quality of life and employability of our military and civilian family members.

IMPROVING QOL/REMARKS ON OER'S

Mrs. SCHROEDER. You state that Commanders at all levels of the Army will increase their emphasis on improving the quality of life for soldiers and their families. Is the effectiveness of commanders in improving the quality of life of their troops a normal part of their evaluation and determinations regarding their promotion to a higher rank?

General ELTON. The Army leadership has repeatedly emphasized improvement of the quality of life for soldiers and their families. This goal, also referred to as caring for soldiers and their families, is one of four primary guideposts which the Chief of Staff of the Army has set forth for the development and sustainment of a proud and ready Army. These guideposts are Training, Maintaining, Leading, and Caring.

The effectiveness of the Army's evaluation process, in terms of measuring commander's accomplishments in all of these areas, receives careful scrutiny not only by our management personnel, but also by every promotion, school, and command selection board. How well an officer performs in these areas plays an important part in the selection process. When systemic trends or deficiencies are detected, corrective instructions are immediately provided to all seniors raters and to all new battalion and brigade commanders.

In a pamphlet distributed to all officers in March of 1985, the Chief of Staff of the Army provided his philosophy and guidelines for training, maintaining, leading, and caring for soldiers. This pamphlet emphasized the extraordinary responsibility which rests on the shoulders of our leaders, and those who work with soldiers and their families. In accepting the special trust and confidence reposed in the leaders of today's Army, they have been personally challenged to dedicate themselves not only to the training, maintaining, and leading of the soldiers, but also to caring for them and their families. This kind of focus will pay great dividends toward the overall improvement of the quality of life throughout the Army.

Army regulations governing the preparation of officer evaluation reports contain a list of several items which have been identified as Army-wide areas of special interest. These items are included in the regulations to help develop the rated officer's performance objectives. In consonance with the Chief of Staff of the Army's desire to emphasize caring for soldiers and promoting the quality of life for soldiers and their families, the Army regulation will further focus attention on this goal as a special interest item in the preparation of commander's evaluation reports.

STUDENT TRAVEL FUNDING STREAM

Mrs. SCHROEDER. The chart on resources to run the Army Family Program budgets $2 million dollars (1.9 mill. funded by MACOMS) for Student Travel. The proposed budget for fiscal 86 calls for $1.7 million. Why the reduced dollar figure?

General ELTON. The original Military Dependent Student Travel Program authorized travel from the students college to service members overseas duty station. In August 1984 Congress changed the program to eliminate funding of travel within the continental United States. This change results in approximately $200,000 in reduced costs.

PAY COMPARABILITY AND RETENTION

Mrs. SCHROEDER. In order to achieve comparability in pay, you indicate that in addition to a 3% increase in pay on July 1, 1985, a 9.6% increase in pay will be necessary for the fiscal year beginning October 1, 1985. Do you have any figures showing the effect on retention rates if salaries are not increased 12.6% during the next few months.

General ELTON. Experience has shown that our highest quality soldiers are more sensitive to pay comparability and civilian employment opportunities. Economic analysis projects an FY86 pay freeze will cause a loss of 6,100 career force soldiers and 15,000 fewer high quality accessions during FY86-90 period. Even with the proposed 3% pay raise 1 July 1985, a loss of 3,000 career force soldiers and 7,000 fewer high quality accessions is projected.

COST OF TRAINING REQUIREMENTS

Mrs. SCHROEDER. You state that continued improvement of the economy may induce highly qualified soldiers to leave the service. Do you have any figures available which would give us an idea of how much it costs to train replacements in various specialties?

General ELTON. Skill levels are used by the Army to identify the skill, proficiency or ability required for successful performance at the grade with which the skill level is associated. Skill level one is associated with grades E-3 and E-4 and identifies the skills required of a soldier who has completed initial entry training and reported to a permanent assignment. Shown below are the costs of training an individual to skill level one. The costs are for FY83, the latest year for which complete data are available.

Infantryman	$9,691
Pershing Crewman	16,637
Hawk Crewmember	20,387
M60 Armor Crew Member	15,330
Improved Hawk Fire Control Mechanic	79,785
Aerial Radar Sensor Repairer	73,881
Target Acquisition Radar Repairer	115,084
Wheeled Vehicle Mechanic	11,052
Attack Helicopter (Cobra) Repairer	26,697
Aircraft Power Plant Repairer	26,175
Administrative Specialist	9,844
Programmer/Analyst	14,614
Unit Supply Specialist	9,731
Cartographer	18,110
Biomedical Equipment Specialist	15,315
Intelligence Analyst	15,140
Electronic Warfare Signal Intercept Analyst	26,423
Illustrator	5,992

RECRUITING/PERSONAL ATTRIBUTES

Mrs. SCHROEDER. You state that your recruiting approach weighs the full spectrum of a volunteer's capabilities, including the recruit's "moral background, medical status, physical capability and mental aptitude for service." You go on to state that "It is no longer enough to recruit simply the appropriate numbers of young men and women w/o regard to their personal attributes". Do you mean that previously these capabilities were ignored, or were lowered, in order to fill recruiting quotas? Also, I am interested in understanding-how do you access someone's "moral background" beyond reviewing their arrest record?

General ELTON. An applicant's personal attributes have traditionally been evaluated in the qualification for service process. This evaluation has been in the context of meeting minimum standards, both for acceptance into the Army and upon the probability of the applicants completing term of service and skill qualification successfully. These are minimum standards and do no fluctuate with changing manpower requirements. Our force modernization program with new, more complex equipment, coupled to the reduction of Army end strength, requires the optimization of solider mental aptitude and education to this new equipment for maximum combat power. Regarding your question on moral background assessment: each applicant is evaluated for personality or behavior disorders. Frequent encounters with law enforcement agencies is one of the indicators. Additional screening for antisocial attitudes or behavior, immaturity and instability, takes place during the interview, history review and psychological testing.

NEW MANNING SYSTEM PROVISIONS FOR FAMILIES

Mrs. SCHROEDER. You've discussed the formation of eight (8) COHORT battalion at Forts Bragg, Hood, and Riley which will rotate between stateside installations and Europe begining in 1986. When a battalion rotates to a particular location, it will remain there 3 years and then rotate back to its original stateside location. Will the members of these battalions and their families have guaranteed housing, either on base or in the community, awaiting them? If in the community, how will you ensure that the costs of available housing will not significantly exceed the housing allowances of the members?

How will you prevent operation of the law of supply and demand, which would mean increases in rent that will adversely impact the local community as well as service members competing for units.

What kind of provisions are being made to ensure that local services are not overwhelmed by the influx of larger numbers of new residents?

The military's own studies show that most military spouses have to work in order to provide for their families economic well being. How do you expect large numbers of spouses arriving in a community at the same time to find work?

General ELTON. Members of rotating COHORT battalions will receive the same guarantee of housing, either on or off base, as do any other soldiers. The extent to which there will be sufficient quantities of housing for all members of these battalions will be dependent on several factors. First, members of units rotating to Europe will receive 45 days of eligibility on the housing list in the area to which they are rotating. No other special priority will be granted to satisfy the housing needs of these soldiers. Second, there is more housing available at some locations to which these COHORT battalions are deploying than at others. For example, the Neu Ulm Military Community, FRG will have sufficient housing to satisfy the needs of every member of the 2-5 FA, Ft Riley, KS, when it rotates to Neu Ulm in June 1986, exchanging places with the 4-5 FA (currently in Neu Ulm). On the other hand, the Kirchgoens military community has only limited quantities of housing with a waiting list of up to 52 weeks for soldiers in need of family quarters. Thus, not all members of the 2-5 CAV, Fort Hood TX will receive housing when this unit rotates to Kirchgoens in Aug 86. Soldiers who must wait for housing will be authorized to retain the government quarters occupied by their families at the CONUS installation from which they will deploy for a period of at least 140 days. Local installation commanders will address these requirements on a case by case basis. The system which currently compensates soldiers who must reside in the local communities will also apply to members of these COHORT battalions. Accordingly, a member of a COHORT battalion, who is required to house his family in the local community, will receive a housing allowance which is sufficient to defray the costs of living in the local community as opposed to living in on base housing.

There is no feasible way in which to totally prevent operation of the law of supply and demand and its impact on the local community as well as on soldiers competing for housing. However, commanders at Forts Bragg, Hood, and Riley as well as in USAREUR are accomplishing the necessary detailed planning which will greatly facilitate the rotation of the COHORT battalions and, at the same time, meet the housing needs of soldiers and their families in these units.

In order to ensure that local services are not overwhelmed by large influxes of new residents, several actions are being taken. First, commanders of COHORT battalions in CONUS and USAREUR are conducting a series of coordinated visits with one another to identify and resolve issues impacting on the ability of the military communities involved to support the reception of battalion size units. Second, the COHORT battalions will rotate over a period of 45-60 days under plans which call for deployment of an advance party sufficient in size to prepare for reception of the main body of its battalion. This advance party will be followed by deployment of company size elements, one at a time. The affected military communities will not be faced with an overlap of units, but only with outprocessing of a group of 100-150 individuals at one time followed by inprocessing of a like number of personnel. The experience gained by the Army in rotating COHORT companies and batteries will greatly facilitate this effort. Third, representatives of DA DCSPER are conducting a series of coordinated visits with commanders of the rotation COHORT battalions in order to remain abreast of and to resolve issues affecting the rotation of these units. Fourth, the Army Staff is making the necessary changes in policy to facilitate the rotation of these units and to provide adequate quality of life support to soldiers and their families.

In order to assist spouses of members of the COHORT battalions in finding employment, commanders are canvassing the needs of their soldiers to identify which spouses desire employment at the new location. During the course of the coordination visits previously mentioned, the commanders are coordinating their requirements for civilian employment with representatives of the receiving military community. Furthermore, included in these coordination visits are briefings by representatives of the civilian personnel offices in the receiving communities to further facilitate the acquisition of civilian employment by interested spouses.

Mrs. **Schroeder**. And just briefly, I wanted to quickly ask General Elton about his testimony on page 31, where he's talking about the formation of eight Cohort combat arms battalions at Forts Bragg, Hood, and Riley.

My concern is: If you proceed with this, are you taking the family issues into account that we're talking about, such as is housing available as you do this rotation, making sure that the community market doesn't go sky high, the spouse employment which will suddenly flood the area, and so forth, is that kind of planning going into the planning that you are making to begin this in 1986?

COHORT PROGRAM

General **Elton**. Thank you.

This is a program that the Army has talked about for a number of years to try to keep soldiers together longer.

We find that when this takes place together regardless of where the assignment is, whether it's overseas or here in the Conus, that an unusual degree of cohesion develops, and the unit is much better than the sum of its individual parts.

We started, about the summer of 1983, talking about battalions and how we should form them from the many companies that we had already started and had rotated back and forth.

By the summer of 1984, we had a working group, including all of those division commanders and their major commanders involved with the nitty-gritty issues that you're talking about.

In other words, if we rotated a battalion from Fort Riley, KS, to Neu Ulm in Germany, will there be sufficient quarters, will there be spouse employment ability there, what about families, what about schools, what about those kinds of things that would cause that to be a very disruptive and tumultuous experience?

And in each case, those units working together have taken all of those factors into consideration.

In addition, what is happening is that as the units gather in Conus initially and in Europe, and are all being briefed very thoroughly on what is available for them on the other side of the ocean. This tends to damp anxiety considerably with regard to the soldier and his family and their concerns about the move.

But all of those aspects, I can assure you, are at the very top of the list. In fact, moving a unit without families is no problem at all. Moving a unit with families takes a considerable amount of thought and effort. And I can assure you that none will go without all of this having been scrutinized.

Mrs. **Schroeder**. Thank you very much.

Thank you, Mr. Chairman.

The **Chairman**. Thank you.

Mr. Bateman.

Mr. **Bateman**. Thank you, Mr. Chairman.

If I may, I'd like to raise a couple of questions, which, in the interest of stretching my time as much as possible, it being limited, you could supply answers for the record.

But a particular reference is to the stated need for increase in the number of slots available to the Navy and the Marine Corps at the major level, the lieutenant commander, and commander level.

I wonder if you could furnish some information as to what the cost implications of those changes would be?

DOPMA

General **Maloney**. The Marine Corps would implement the proposed increase of 503 majors over a three year period beginning in fiscal year 1986. The projected additional costs are $1.8M per year during a three year phased promotion plan or $6,OM for total promotion in one year.

Mr. **Bateman**. The second question I'd like to raise with Admiral Lawrence.

[The following information was received for the record:)

NAVY GRADE CEILING RELIEF

Question. If I may, I'd like to raise a couple of questions, which in the interest of stretching my time as much as possible, it being limited, you could supply answers for the record.

But a particular reference is to the stated need for increase in the number of slots available to the Navy and the Marine Corps at the major level, the lieutenant commander level, and commander level.

I wonder if you could furnish some information as to what the cost implications of those changes would be?

Answer. Navy's grade ceiling tables, which were based on an unusually low inventory in 1980 due to poor retention, would be increased 1,112 lieutenant commanders and 563 commanders without an increase in end strength. These increases are necessary to maintain promotion opportunity and timing within DOPMA guidelines and allow the Navy to grow the number of lieutenant commanders and commanders required to carry out our mission. If enacted, we would phase the increase in over a five-year period, cutting yearly costs and allowing a managed transition to the new ceilings. The estimated costs and phasing plan are shown below:

	Fiscal year—				
	1986	1987	1988	1989	1990
Lieutenant Commander	223	223	223	223	220
Commander	112	112	112	112	115
Total					
Ceiling Increase	335	335	335	335	335
Cost ($ Mil)	+3.2	+9.7	+16.1	+22.5	+29.0

Mr. **Bateman**. You point out, in a very telling way, some grave concerns with reference to the retention of nuclear officers and aviation officers. I wonder if you could perhaps quantify which is the more grave of the two problems and the degree of emphasis perhaps that is called for in order to minimize the problems in each area?

[The following information was received for the record:]

NUCLEAR AND AVIATION OFFICER RETENTION

Admiral **LAWRENCE**. Our nuclear and aviation officer retention problems are very different in nature and equal in degree of gravity. The aviation retention problem is temporary and requires that we take timely actions to curtail the exodus of junior and mid-grade officers. The nuclear officer problem is not merely one of insufficient retention of junior officers, it involves an existing shortage of experienced officers, a projected growth of that experienced officer shortage, and an apparent reversal of the junior officer recovery that began in 1981. We have proposed changes to Aviation Officer Continuation Pay (AOCP), Nuclear Officer Pays and Submarine Duty Pay targeted to these problem areas. The changes to AOCP will provide us the management flexibility to make the program more attractive as a retention tool. The enhancement to the Nuclear Pays are specifically designed to provide a lasting solution to the nuclear officer inventory problem. These are two distinct problems, which if not attended to immediately, will reduce our readiness posture in both communities. I most strongly request your support in passage of these minimal cost, economically effective proposals.

If those questions could be responded to later in the record, the more general question I'd like to ask you all is to comment on this. Reference has been made to spouses as second-class citizens in our military family. That intrigues me, that a poll would indicate spouses had that view or perception that they were second-class citizens.

Can you comment on that and why that attitude would be prevalent?

What is the explanation for that kind of a response?

MILITARY SPOUSES

General **CASSIDY**. If I may try to respond.

I guess the most tangible thing to do is deal with some money, the money issue. As our wives travel with us and as the Air Force now has over 50 percent of their wives who are employed, and we have found through several very exhaustive studies that the wife tends to make considerably less than her peer on the outside because everyone knows she is just a transient; and then when she goes somewhere else and moves, we find that she is less likely to be employed as quickly.

In other words, they will go through their list of people in any given locale, and probably pick the one that is more permanent rather than the one that is more transient.

Now, this is not to say that this is not in admonition to those people; that is just a way of life that we find ourselves in, and we find then that the average wife who moves, it takes her about 5 months to get reemployed; and she makes an average of about $1,000 a month. So, with all those other problems of moving, the young enlisted man who has to have a wife work to make ends meet, now when he moves he loses an additional $5,000 because his wife takes that long to get employed.

So, just in the dollars and cents viewpoint, our wives are second-class citizens because they make less money.

Mr. BATEMAN. Then, I take it, there is no reason for me or any other member of the committee to be concerned, and I thought this would be the case, that our military commanders are insensitive to the needs of family and spouses, and it is just one of the aberrations of a career in the military that a spouse has these kinds of problems in finding, retaining employment, and the economic disadvantages under which they labor.

General CASSIDY. Oh, yes, sir.

We are—the military commanders are terribly, terribly sensitive to it, because we know more than ever before those wives hold the key whether we are going to be able to keep those people.

Mr. BATEMAN. Well, that has certainly been my perception of the prevailing attitude.

The last question, Mr. Chairman; and, again, I suspect this may be done for the record, or by someone visiting me in my office.

But the question of the increase in military compensation, I am interested in your projections and your econometric models, General Cassidy, as to what assumptions they make with reference to unemployment rates, which I assume would be a very significant factor in the nature of the assumptions made.

[The following information was received for the record:]

General CASSIDY. That's correct, sir: our losses are quite sensitive to changes in the unemployment rate. In our experience, a decrease in the civilian unemployment rate by one percentage point—say, from 7.5 percent to 6.5 percent—would cause our losses to increase by 60 to 80 pilots and 2000 to 2500 enlisted personnel. That's about a 14 percent increase in pilot losses and a 4 percent increase in enlisted losses from a 1 percentage-point change in the unemployment rate.

This sensitivity lead us to monitor forecasts of the civilian unemployment rate very closely. In our models, we use a consensus of the projections published by three major econometric-forecasting firms in the private sector: Data Resources, Incorporated; Chase Econometrics, and Wharton Econometrics. We also take into account the Congressional Budget Office's forecasts. Right now, these sources expect the civilian unemployment rate to average about 7.2 or 7.3 percent in 1985 and 1986.

Second, if it must be done, I would like to see some analysis of how much upgraded efforts in terms of reenlistment and retention incentives might cost relative to the cost of across-the-board increases in compensation.

I think that is the comparative analysis that in the nature of things we are going to need to make, and would like to have you all share some information on that. Thank you, Mr. Chairman.

[The following was received for the record:]

General CASSIDY. The Air Force is certainly sensitive about the costs of across-the-board pay raises. By and large, we use them to achieve sufficient aggregate retention in order to maintain experience levels and quality, and to provide for the future's leadership cadre. Aside from aggregate considerations, we also need to ensure that all Air Force skills are adequatelyy manned, and this issue becomes extremely complicated, since each skill has its own requirements and retention behavior. That is why we use the Selective Reenlistment Bonus (SRB), which is tailored to a specific skill and can be turned on and off so as to achieve long-term skill manning goals. For the singular purpose of specific skill manning for the enlisted force, the SRB is more cost-effective than across-the-board pay increases. However, manning improvements that accrue from an SRB only program without attendant across-the-board pay increases would be quickly negated by declining retention and reenlistment rates is skill areas that previously were adequately manned. It would be foolish in the long term to abandon the current pay comparability that is maintained through across-the-board pay raises as this would likely lead to a recurrence of the serious retention shortfalls of the late 1970's.

The CHAIRMAN. Mr. Sisisky.

Mr. SISISKY. Thank you, Mr. Chairman. I would ask for unanimous consent that I could submit some questions to be answered for the record.

The CHAIRMAN. Without objection.

Mr. SISISKY. As it pertains to medical care and housing allowances. But I do want to come back to medical care, because I am sure it is something that concerns you, as it does me, particularly in my district as Admiral Lawrence would know the Tidewater area of Virginia.

During the early months of the year, we were confronted with a series of news articles, as well as a two-part series on NBC television, decrying the quality of care provided in military medical facilities.

Obviously, such charges have a great impact on you as manpower chiefs.

What is your perception of the situation, and I would like for all of you to answer that, and do you feel that there are sufficient checks within the system to discipline poor quality doctors, or should there be greater accountability of the medical community to the line; and, if so, in what way?

MEDICAL CARE

General MALONEY. The Marine Corps relies totally on the U.S. Navy in this area, as we reciprocate with service unique support to our teammate in other areas. I can unequivocally say that the Navy has never let us down, providing outstanding service both to our operating forces and families from minor sick calls to life-threatening situations. Your Nation's force-in-readiness could not attain or sustain a combat posture without this excellent professional support. We are beneficiaries of a superb health care system. Recent reports have demonstrated we maintain a standard of quality that civilian medical service should strive for. We have major efforts underway to make it even better. Our medical departments are manned by highly qualified doctors, dentists, nurses, corpsmen, and other health care professionals. From the Surgeon General to the most junior corpsman, each and every one is providing the quality medical care our people merit.

Admiral LAWRENCE. I will take the first turn at that.

We are making a great effort in the Navy to upgrade the quality of our medical care. I think there is no question that there have been cases where we have not provided the caliber of care that we wanted. I think you can find that in the private sector as well.

But we are making an across-the-board determined effort in the Navy to upgrade the quality of care. Three years ago, we completely reorganized the medical establishment in the Navy to make it more responsive to both our active duty personnel, and our dependent personnel. Every doctor that performs within Navy medicine is subject to quality control scrutiny to ensure that they maintain high standards. We will not hesitate through procedures available to us to separate those personnel that are not measuring up to high standards.

We have also looked very carefully at our means of recruiting medical personnel to ensure that we bring on only those with the proper qualifications who meet the high standards that we want to maintain.

We have examined the credentialling process and our quality control mechanisms throughout Navy medicine. Every doctor that performs within Navy medicine is subject to quality control scrutiny to ensure that they maintain high standards. We will not hesitate through procedure available to us to separate those personnel that are not measuring up to high standards.

In this year's budget, you will notice that we intend to allocate about 1,400 of our requested end-strength increase toward medical support so we can better man our various hospitals and clinics around the Navy.

The primary reason for this is to improve the quality of the combat casualty case in wartime, but it will also have very beneficial side effects in improving our ability to handle active duty personnel in peacetime, as well as their dependents.

So, I think, certainly, that while many improvements are still required, we are determined to effect improvements.

Mr. SISISKY. I would agree with you that the same problem is in the civilian field, too, but the patient does have recourse to a degree without the Secretary of the Navy, so to speak, injecting himself; and that is really what my concern is.

Anybody else like to comment on that?

General ELTON. I would. I have done a little bit of research into this, primarily because of my position, but also because I have a daughter who is a nurse.

And she never hesitates to drone into my ear when she thinks there is a problem. It is not that she feels there is a problem, it is just that the challenges are perhaps more than our health services—at least in the Army—are prepared to meet at the present time.

As you know, we cannot put our hand, and say "Stop at the front door."

So, the population that exists around a hospital that is entitled to care is also entitled to come in the door and get care.

The professionals there are seeing on an average twice as many outpatient cases as would be comparable in the civilian sector.

And, so, the retention there is only reasonable as far as retaining the health care professionals.

In the mid-seventies, when the medical services lost a great number of their professionals, we began a massive infusion from lateral entry. During that time we were not able to get young physicians or health care specialists who had grown up through the system. The Congress then approved the health care academies and we began a program to grow our own, and that program I am very happy to report is now giving all the services, and at least I can speak for the Army, a satisfactory number of graduates. It has taken over the role, except for some very severe and difficult specialities—the role of filling our ranks.

But we, in the Army, have also started a massive infusion in the last couple of years of health care professionals—nurses, to make sure that we have the right type of nurses, and the right number, and administrators.

We find that in many cases our nurses, and some of our professionals are doing administrative work. That does not make any sense at all. Yet that is an area where we have let dollars talk a little bit more than perhaps some reason.

We have stopped the lateral entry of all the surgeons and professionals except for those very key specialities, and we are trying now to capture some of the costs that we have given over to CHAMPUS, by bringing some of our own people back into the hospitals and try to take care of those people back in there; and, therefore, capture some of those very wide-ranging costs.

And so, we do feel that we have a situation that needs our attention, and we are applying our attention to it.

Mr. SISISKY. Just one followup.

I notice on page 27, General Elton, that you indicate that the Army plans to assign some of the planned increase in civilian personnel to medical care quality assurance.

Is that what you are talking about there?

General ELTON. Yes, sir. Exactly.

[The following information was received for the record:]

MEDICAL CARE QUALITY ASSURANCE

Mr. SISISKY. During the early months of the year, we were confronted with a series of news articles, as well as a two-part series on NBC television, decrying the quality of care provided in military medical facilities. Obviously, such charges have a great impact on you as the service manpower chiefs. What is your perception of this situation?

Admiral LAWRENCE. I will respond to this question for the Assistant Secretary. The press attention has focused on a handful of examples which create an erroneous overall impression. The record is clear. We are beneficiaries of a superb health care system. Recent reports have demonstrated we maintain a standard of quality that civilian medical service should strive for. We have major efforts underway to make it even better.

Mr. SISISKY. Do you feel that there are sufficient checks within the system to discipline poor quality doctors or should there be greater accountability of the medical community to the line? If so, in what way?

Admiral LAWRENCE. There are many existing mechanisms to deal with less than acceptable health care professionals. Our rapidly improving and maturing quality assurance program provides for identification and management of problem providers in many ways with accountability to both line and medical authorities established. This program is designed to protect patients and miximize quality of care, not "discipline" providers other than to remove them from patient care. If behavior sufficient to warrant disciplinary action exists, mechanisms to accomplish this are also in place.

Mr. SISISKY. For example, should the Assistant Secretary of the Army for Manpower have had a say in the decision by the credentialing committee and hospital commander at Walter Reed to restore Dr. Watson's credentials on the day before he left the Service?

Admiral LAWRENCE. I cannot address Dr. Watson's case for the Army. Credentialing is a peer review activity designed to protect patients. It is not intended for punitive measures. Ample authority for disciplinary action exists when such action is warranted.

Mr. SISISKY. If you had a blank check on the accountability of the medical system, how would you fill it in?

Admiral LAWRENCE. Our quality assurance system has evolved greatly in the recent past. In just the past six months we have begun several new programs and greatly improved and tightened existing ones. Much accountability is built into this system. Quality Assurance is very manpower intensive, however, and the manpower to manage this system has come from existing health care delivery resources. We need additional help at all levels, clerks, medical record technicians, administrators, lawyers, and health care professionals. Your support for Navy medical manpower increases in the budget is essential to our continued progress.

The CHAIRMAN. Mr. Bustamante.

Mr. BUSTAMANTE. I am concerned with pilot retention, and Admiral Lawrence, perhaps, can answer this.

Can we—or do we have the ability to man 15 carriers with the problems that we are having in the retention of pilots?

PILOT RETENTION

Admiral **Lawrence**. Yes, sir. I think we can. We have no problem finding young people in American society who aspire to come in to be Navy pilots. I think it is just a question of providing the adequate incentives for them to stay in. That is our fundamental problem today.

Mr. **Bustamante**. Now, we pay what? A $32,000 bonus for them to reenlist? Or what is the bonus?

Admiral **Lawrence**. We have what we call Aviation Officer Continuation Pay which provides a maximum bonus of $36,000 to an individual if they agree to remain in the Navy for 6 years. This is an extremely cost-effective bonus because it costs approximately $1 million to train a Naval aviator.

Mr. **Bustamante**. I am aware of that.

Now, Admiral, in reference to the advertising program, do you get the different divisions of the Armed Services, do they get about the same as far as advertising dollars are concerned—the Navy, the Air Force, the Army?

Admiral **Lawrence**. No, sir. There is a difference.

Mr. **Bustamante**. There is a difference?

Admiral **Lawrence**. Yes, sir.

Mr. **Bustamante**. Is there any movement afoot—and I am always concerned about the networks and the television, the television networks, about giving us some PSA's—public service announcements. You know, I question the fact that we spent close to a million dollars during the Super Bowl, about 90 seconds. Of course, the Secretary of Defense—and I got a letter this morning—that, no, well, the Marines spend a little more; and the other one was only $230,000 for 30 seconds, or $240,000 or whatever it was.

But, it seems to me, that the networks would try to help out in reference to a program of advertising for our armed services and for our defense posture. And I do not know whether we are really making an effort in that area.

I know that we are very strong in our Chamber of Commerce areas, that we could talk to some of those people about that.

General **Cassidy**. Well, they give us some public service time, Mr. Congressman, but, as you might imagine, it is at 2:30 in the morning, or some prime time like that.

We do have some public service announcement time, though. It is very minimal, and it certainly does not hit the target group that you would hit with the Super Bowl Sunday.

Mr. **Bustamante**. I know you get about a 38-percent audience there.

General **Cassidy**. Oh, it is a great audience. It is the audience that joins us.

Mr. **Bustamante**. But they are not giving it away, though, in that area, but, General Cassidy, when we talk about medical care, I wanted to address, maybe later to you, with reference to one of our areas in the San Antonio area.

Our Army in some areas—you know, we have no problems. I am having a little problem with Wilford Hall, the administrative areas, but I would like to address some of those concerns to you so that we can check out the administrative functions there.

It seems to me that we have been in the newspapers in different other areas, and I would just like to try to alleviate some of those problems.

General CASSIDY. Yes, sir. I would be glad to do that. We have gained some notoriety I would just as soon not have at Wilford Hall, and I would be glad to discuss that with you.

Mr. BUSTAMANTE. I appreciate that. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Hunter.

Mr. HUNTER. Thank you, Mr. Chairman.

I have a question I would like answered for the record. I wonder if you could give me an estimate on what the total costs are to the taxpayer each year for permanent change of station?

I notice a number of the proposed bills deal with permanent change of station and increasing the weight allowance, and I would like to run something by you that came to me when I was in Germany where I talked with a number of officers and enlisted people.

I think it is what, now—13,000 pounds, 14,000 pounds for some officers?

General CASSIDY. 13,500 is maximum, sir.

Mr. HUNTER. 13,500.

You know, something that I recognized when I was in the military is that if you have a bunch of old household equipment, which was not worth much—you got the Levitz couch that is worth probably 50 bucks if you sold it at a garage sale, and a lot of other things; and you are given a weight allowance, the average family is going to take it.

You put it on the boat, and you ship it over. The cost to the taxpayer is about 60 cents a pound, according to the folks in Germany. So, you are looking at, if you move that thing up to 18,000 pounds—you will be looking at $10,800. You are looking at half a year's salary for some of our people simply to move his household goods, and the reason I bring that up is because it would seem that we might be able to save some money by giving that family—giving all families an option. And the option would say:

If you want to ship your 13,500 pounds over—if, for examples, you are an officer; you have got to entertain—that was some of the feedback that I had. Well, you are expected to have—you need to have your household equipment there because there are certain functions that are necessary; you can do that. But if you want to just take cash, and maybe keep your shipping weight under a thousand dollars, we will give you $2,000 or $3,000 cash, as a bonus for not shipping at 60 cents a pound for 13,500 pounds.

And it would give the serviceperson who has got, as I had, the old Levitz couch that is not worth shipping to Los Angeles from San Diego, much less overseas, the option of not sending that stuff over.

So, could you comment on that briefly?

And let me run one other thing by you.

Permanent changes of station are very expensive. They are expensive, I think, to readiness; they do uproot the family; the kids get out of school. If the wife has got the job, she has got to move—I understand the average serviceman moves about once every 2 years—is that fairly accurate?

General CASSIDY. Well, we consider in the Air Force we move seven times—seven to eight times in the first 20 years of your career; so that is about right.

Mr. HUNTER. OK, first question to you, General. Do you think that is absolutely necessary?

General CASSIDY. We have looked at that very closely simply because of the cost. We will move—and to answer your initial question, we will make 306,000 moves this year. That is a lot of moves. We are really concerned with that.

We have, in the past, 6 to 8 years, reduced time on—pardon me—increased the time on station from 24, an average of 24 months to 48 months, and we have reduced our number of moves equally by about 50 percent.

So, we have really worked hard at that.

There are some moves that are just facts of life for the junior airmen, which skew those figures some. For instance, you come in, you go to basic training, you go to technical training, and then your first station. So, you may well have three moves in the first 18 months of your career, which skews that some.

Mr. HUNTER. Sure.

General CASSIDY. But, believe me, sir, because of the high dollars on those moves, we really try to squeeze all we can out of that. We have absorbed some of the costs of those moves ourselves.

Mr. HUNTER. Well, let me ask you this, sir. You have moved up to 48 months permanent station assignments?

General CASSIDY. Yes, sir.

Mr. HUNTER. So, that is—am I correct in saying that the service average is about 2 years?

General CASSIDY. Well, we——

Mr. HUNTER. You were just saying for the Air Force, it is 4 years.

General CASSIDY. That is exactly right, sir. Our average time on station now is 48 months.

Mr. HUNTER. OK, are there other services—maybe you gentlemen could answer for me today?

General MALONEY. Yes, sir, if I might.

Mr. HUNTER. Certainly.

General MALONEY. One of the features that must be considered is the turnover in young people, Particularly in the Marine Corps, in which 50 percent of the forces is E-3 and below. In making an average about moves, those figures can be skewed with so many young prople moving into and out of the service. It is a permanent change of station for recruiting, training, and separation, as well as any duty assignments while on active duty. So, really, if we are talking about a 4-year period, the number loses significance. A move average should consider only the career force, which would have the large amount of equipment and household effects to be moved.

But we are working on reducing the moves in a number of ways. One of those ways is to sign recruits up for longer terms of enlistment. About 95 percent of our enlistment contracts today are for 4 or 6 years. That is another way to reduce those upfront moves that are required each time someone goes to training and comes from training. We have been able to reduce moves in 1986 by 6,500. PCS moves are a matter of great concern to us, and we sharpen our pencils consistently to make less.

General CASSIDY. If I could just add one thing to mine, along with Bill's, 56 percent of our moves are directly attributable to accession, training, and separation; so clearly those are beyond our control.

Mr. HUNTER. Did your answer my question on giving the option to the service family of taking a bonus for not moving their 13,500 pounds.

General MALONEY. That is an exciting option, sir, that we would be happy to look at.

Admiral LAWRENCE. I think we should seriously look at that.

General ELTON. Sir, I agree that we ought to take a look at that. I think that there are some other facts that my colleagues probably have not mentioned, and that is that the moves overseas are going to continue unless we change the force structure.

Forty-five percent of the Army is overseas, and it is going to go, with or without furniture. I think that your option of perhaps a stipend of some kind, if furniture is kept in permanent storage might be a reasonable thought.

On the other hand, as you get some pieces of furniture that you really kind of like, it is awful hard for the wife and the kids to put those things away.

Mr. HUNTER. But they retain that option.

General ELTON. Yes.

Mr. HUNTER. They can move them if they have to.

Thank you, Mr. Chairman.

The CHAIRMAN. Charlie Bennett.

Mr. BENNETT. Mr. Chairman, your statement addresses the possible IRS ruling that would hurt housing allowances.

I introduced H.R. 1241 as a contingent solution, in case the ruling comes out. Have you had a chance to analyze that bill, or to compare the pros and cons of compensation measures versus tax measures to solve this problem?

General CASSIDY. I have, sir. I have seen part of that, and we appreciate—we sincerely appreciate having that on the shelf just in case that happens. Obviously, we would hope that Congress would recognize the longstanding precedent that permits certain allowances of the military to be nontaxable, and, indeed, that is computed when their entitlement is computed in its original sense.

Mr. BENNETT. I agree with you. But, in case we get burnt, would my bill not solve it? Or can you think of a better one?

General CASSIDY. I would like to hold that option open of thinking of a better one, but it is the best one we have got, sir, and we are sure glad you are on our team.

Mr. BENNETT. I have no pride of authorship in it, but—and if you have another way to do it that is better, well, whatever, I will be glad—I am sure the chairman of the committee and all of us will try to work for it.

General CASSIDY. Well, I sincerely appreciate that, sir. We will take a look at that, and if we do—and we appreciate that being on the shelf.

Mr. BENNETT. One problem that I have faced with regard to the military in my district is the question of doctors and hospital care.

I really do not believe we have a complete handle on this yet, and I am not sure what it takes but I am inclined to think it takes a greater pay for the doctors or some other additional thing with regard to scholarship.

You know, one problem we have about a lot of things we do in the Government, and the military in particular, we think of something that would encourage people to go into the service, like I introduced some legislation about doctors, and we passed that; and then they immediately passed one that was even better for the people that were not going to have any military service.

We passed it to get people in the military service. It was such a splendid idea that they passed one which was better for you if you did not go into military service; and the same thing is true about the GI bill. It has grown into a thing now where everybody believes that they have a right to demand from the Federal Government a college education, and if you really want to know how to improve, I think, the status of people in the military is to go back to what we originally had. I am not saying we ought to cut out all scholarships. But we have gotten so enthusiastic about educating everybody that there is not really all that much difference about getting education through the GI bill or just doing it as a regular citizen on the outside.

And it is a way you possibly could save money; and I would encourage the military to look at the benefits educationally for the general population and the education as a GI, and make some recommendations to us along that line.

Because I think you would save money, really, by having a tighter rein on what we are doing to the people that are not in the military, and therefore use these things which are originally designed to do to keep people in the military. It is just awful what they have done, particularly in the field of doctors; and I think they have done it somewhat in the field of general education.

And those are things I think ought to be looked at because I think the Government is really destroying the benefits it set out for the military; and that is a sad thing to do.

Another thing, of course, is the PX's and the commissaries, of which there is a lot of opposition to in some places, but really that is a thing that gives consent—gives comfort to people in the military, and I think it is something they should not be deprived of myself.

I do not really have any other things to say except that I am glad that you are giving thought to all these housekeeping things and we will try to help you achieve them.

Thank you.

The CHAIRMAN. Thank you, Mr. Bennett.

Thank you, all members of the panel. Do not go away. We want to take a vote on an issue here as long as we have a quorum present. Duncan, do not go away.

[The following statement was submitted by the Blue Cross and Blue Shield Association to be inserted in the record. Followed by questions submitted to the witnesses to be answered for the record.]

PREPARED STATEMENT OF THE BLUE CROSS AND BLUE SHIELD ASSOCIATION

DEPARTMENT OF DEFENSE MEDICAL FACILITIES REQUIRING PAYMENT FROM PRIVATE INSURANCE

The Blue Cross and Blue Shield Association is pleased to present this statement for the record concerning the Department of Defense's (DoD) Fiscal Year 1986 budget proposal to require available private insurance to pay for care provided in military facilities to nonactive duty personnel, including dependents, survivors, and retirees and their dependents. Our Association is the coordinating organization for the nation's Blue Cross and Blue Shield Plans. Through these Plans, private and public health insurance benefits are provided to some 100 million people.

We strongly oppose DoD's proposal for the following reasons:

1) It violates the principle of insurance;
2) It violates the protection of the Fifth Amendment of the Constitution; and
3) It shifts to the private sector — primarily employers — a new set of financial obligations without the safeguards needed to contain health care cost increases.

Before addressing our concerns in more detail, it is important to review briefly how insurance premiums are established, and what effect this new policy would have on them. We want to correct any misconception that insurance companies have been reaping "windfall profits" by not reimbursing for care provided in military hospitals; that allegation is simply not true. The premiums or costs of an insured group of individuals are based on actual payment for services that are covered and used by the group. Insurance contracts specifically exclude payment for services for which there is no charge, such as those provided in government-owned facilities like military hospitals. Because payment cannot be made for these free services, their cost is not reflected in the group's premium. Simply put, we do not charge premiums for benefits we do not provide. Accordingly, if insurers were required to pay for care provided in military facilities, premiums would rise.

Violates the Principle of Insurance

The express purpose of insurance is to protect - indemnify - a subscriber against a loss. Thus under the terms of insurance contracts, there will be no benefits payable for care for which the insured is under no legal obligation to pay in the absence of insurance. The care military facilities provide to dependents and retirees is furnished to them essentially without charge, thus these individuals suffer no loss. To require payment for this care, for which the subscriber has no financial obligation, runs counter to the very reason we have insurance, and would set a dangerous precedent.

Violates the Fifth Amendment

The Fifth Amendment of the Constitution requires that no private property be taken for public use without just compensation, unless there is a real threat to the health and safety of the community at large. Clearly, there is no threat to health and safety that has brought about DoD's proposal. Rather, DoD is seeking to take private funds to offset its own financial obligation — the provision of health care to nonactive duty personnel. The Constitution protects against this kind of overreaching by government to support its operations. A detailed analysis of the unconstitutionality of DoD's proposal prepared by Miller and Chevalier, Chartered, a Washington law firm, is attached to our statement.

Shifts Federal Costs to the Private Sector without any Controls

The clear effect of this initiative is to transfer some of the financial obligation for health care services furnished to nonactive duty personnel in military facilities from the government to the private sector - primarily to those who employ dependents and retirees. Employers located near military installations would be the hardest hit, since they are more likely to have hired dependents and retirees. Thus, the impact of this initiative is extremely uneven. However, even the employers most dramatically affected by DoD's proposal would have no control over the new costs.

In response to the need to control costs, the private sector has become extremely involved with how health care services are financed as well as how they are delivered. Through Blue Cross and Blue Shield Plans and other insurers, and on their own for those who self-fund, employers are placing controls on all aspects of the health care services they finance. For example, screens and limits have been established to help reduce hospital lengths of stay. These parameters are not arbitrary limits, but represent concerted efforts between the payer and the hospital to establish more cost-effective patterns of care. Hospitals themselves are subject to local health planning requirements that seek to avoid unnecessary capital expenditures, and undergo rigorous medical and financial audits - all to assure private control over health care expenditures.

However, because hospital care is the most expensive component of health care costs, the most dollars are saved by avoiding hospitalization where appropriate. This is done most successfully through programs such as mandatory preadmission review, requiring outpatient care wherever possible, and mandatory second opinions for elective surgery. If patients do not follow these requirements, they are at greater financial risk. Obviously, these programs require close coordination among the patient, the provider and the payer - coordination that would be very difficult in the military setting.

A number of employers also have achieved cost savings by offering health maintenance organizations - HMOs - or by establishing financial incentives for their employees to use designated hospitals and physicians in the community that have agreed to provide health care services for a lower price or with more stringent utilization controls. These new arrangements are called Preferred Provider Organizations — PPOs — and have demonstrated significant savings. Other employers, again through their insurer or on their own, are contracting with the most cost-effective providers in the community. Individuals covered under this kind of arrangement are not reimbursed for their medical expenses if they go to providers not designated under their employers' contract. This "selective contracting" is the end result of marketplace competition - competition that military hospitals have not participated in and probably could not succeed in.

The private sector also increasingly relies on the use of deductibles and copayments to deter unnecessary utilization. These out-of-pocket costs give the patient a reason to participate in the decisions on his or her health care, and have been established as reasonable cost containment activities. The selective application of cost-sharing also reinforces programs such as the mandatory preadmission review for hospital care, mentioned earlier. DoD's proposal, as we understand it, would not require nonactive duty personnel to participate in such cost sharing. We believe this approach does not provide for adequate private sector controls on utilization of military health care facilities.

Blue Cross and Blue Shield Plans have been leaders in establishing effective cost controls. Plans contract not only with their subscribers, but also with health care providers. Participating hospitals agree to furnish services to our subscribers under terms specified in the contract. These terms are designed to assure patients of appropriate, high quality health care at reasonable costs. While the contract terms vary from community to community to meet local needs, they typically call for member hospitals to participate in areawide health planning processes, and medical and financial review activities.

We believe these and other requirements are critical to assuring adequate control over employers' health care dollars. We do not believe that military facilities are prepared to deal with insurers, and employers at this level. And, we doubt their capacity to do so. Looking only at the issue of financial audits, we know that military hospitals have never undergone the level and type of audit performed by private insurers in community hospitals, and we question their ability to do so. Even if DoD could meet private sector requirements, it would not be without a substantial cost, in our opinion. Certainly, these costs need to be considered when reviewing DoD's proposal.

We also must note here that DoD's proposal for its health care program is totally inconsistent with the philosophy of Medicare, — the federal health insurance program for the elderly and the disabled. Many of the noted private sector efforts to control health care costs are replicated in Medicare. The government demands that everything possible be done to control both the price and the utilization of the health care services purchased for Medicare beneficiaries. The Defense Department is a part of that same government, yet with their proposal DoD is saying that the private sector must purchase care without the checks and balances under which the government purchases care. Surely Congress would not wish to send such conflicting signals.

Conclusion

In conclusion, we ask that you deny the Department of Defense's request for the authority to require payment from private insurance for care provided in military hospitals. We do so because we believe that this initiative is not consistent with the principle of insurance, violates the protections of the Constitution, and shifts federal obligations to the private sector without the safeguards to control escalating health care costs.

MILLER & CHEVALIER
CHARTERED

METROPOLITAN SQUARE
655 FIFTEENTH STREET, N.W.
WASHINGTON, D.C. 20005

(202) 626-5800

WRITER'S DIRECT LINE
626-5810

March 27, 1985

Ms. Mary Nell Lehnhard
Vice President, Government Relations
Blue Cross and Blue Shield Association
1709 New York Avenue, NW
Washington, DC 20006

Payment for Care in Military Facilities

Dear Ms. Lehnhard:

This letter addresses the question whether the United States can require insurers, by legislation, to pay for care which the United States renders free to dependents of active military personnel and retirees and their dependants (non-active duty personnel) in military facilities.

SUMMARY

The Department of Defense is proposing legislation which would require insurers and self-insurers to pay the government for military hospital care rendered to non-active duty personnel without charge. Some of the individuals receiving free care in military hospitals have private insurance through their employment or employment of their spouses. These insurance coverages exclude benefits for free care in governmental hospitals because insurers do not pay when their insureds have not suffered a loss, e.g., when their insureds have not had to pay for their hospital care. The premium charged is lower than it otherwise would be because of this exclusion. DOD's proposed legislation would void these contract exclusions insofar as they apply to military hospitals.

We have concluded that DOD's proposal is unconstitutional. If enacted, such a law would violate the guarantees of the Fifth Amendment of the Constitution.

Under the Fifth Amendment, the government cannot take property, without compensation, in order to conduct its own operations or enterprises. This principle is to be distinguished from the general right of the government to intrude on private property, and affect the property's value adversely, without compensation, in the lawful exercise of its police power. For example, the government can close down a plant, because its operation is hazardous to the public health, without compensating the owner. But the government, in the conduct of its own enterprises, cannot appropriate property for its own use to enable it to carry on its operations, such as maintaining an army. Thus, if the government builds a military airport which destroys property rights of adjacent property owners, the government must pay because it has appropriated that property for its own use and benefit. Nor can the government use its police power as a subterfuge to take private property without compensation.

The DOD proposal to require insurers to pay for free care in military hospitals is exactly the type of action which the Fifth Amendment to the Constitution is intended to prohibit. Under the proposal, DOD would take property from insurers and from self-funded employers to fund one of its vast enterprises, the military hospital system. This proposal cannot be passed off as a regulation of interstate commerce. It does not purport to be a regulation of insurance in interstate commerce, and no valid regulatory purpose is being served. The insureds need no protection in this instance because the insureds do not suffer any financial burden.

The proposal represents the exact kind of overreaching by an over-zealous government which the Constitutional protection was designed to prevent. DOD's proposal would confiscate corporate funds to defray, in part, the costs of a military hospital system through which DOD provides free care to military-related personnel at the behest of Congress.

BACKGROUND

Various statutes require the United States to provide free medical care in military hospitals to non-active duty personnel of the military. Often these individuals also are covered by private health insurance or self-insured health benefits plans. The private insurance coverage generally is provided by the employers of these individuals or the employers of their spouses, and is provided for the express purpose of protecting against a loss. Thus, under the terms of the insurance contracts between the corporate employer and the insurer, and the terms of the self-insured plans, the employee-subscriber will not receive benefits for any free care or for care provided in a governmental hospital.

The limitations on payment of benefits for care rendered in governmental hospitals are a reflection of a basic principle of insurance -- insurance only indemnifies an insured for a loss which the insured has incurred. 1 G. Couch, COUCH ON INSURANCE 2D § 1:9, at 15-16 (rev. ed. 1984). Because the employee-subscribers are not required to pay the government for the care provided to them in military hospitals, they have not incurred a loss which can be indemnified by their insurers or the self-insured plans. Benefits would not be payable, even if the contracts did not contain specific exclusions, because the care is rendered free to the military personnel and is not a compensable event.

The insurers and self-insurers have used two types of exclusions, however, to make it clear that benefits are not payable for free care. One exclusion provides, generally, that benefits never are payable for care for which the insured is under no legal obligation to pay in the absence of insurance. This applies to various types of free care, including free care provided by relatives, state hospitals, military hospitals, etc. The other exclusion states that benefits are not payable for care provided by any governmental unit. The latter type of exclusion has grown out of the fact that governmental hospitals do not charge for care rendered to eligible patients.

The effect of these exclusions is reflected in the premiums charged by insurers and in the costs of the self-insured plans. Because the premium charged reflects the experience of the entire group's health care costs in previous years, premiums are lower because military hospital care has not been compensated. (The administration has acknowledged this point. S. Rep. No. 79, 97th Cong., 1st. Sess. 113, 1981 U.S. Code Cong. and Ad. News 1685, 2551.)

The premium rate charged for all members of the group is the average cost of the health benefits for all members of the group. Many members of the group will not receive any benefits, because they are not sick or injured, and others will receive benefits far in excess of the premium because they are very ill or severely injured. This spreading of risk among all members of the group is the essence of insurance. Group Life and Health Insurance Co. v. Royal Drug Co., 440 U.S. 205, 211 (1979) (quoting 1 G. Couch, CYCLOPEDIA OF INSURANCE LAW § 1:3 (2d ed. 1959)).

The Department of Defense is proposing legislation which would require insurers and self-funded plans to pay the federal government for care DOD provides free of charge to military dependents and retirees and their dependents in military facilities. This legislation would void the contract exclusions in group insurance contracts and the self-funded plans which exclude benefits for free care insofar as they apply to military hospitals.[1] The underlying purpose of this legislation is to transfer several million dollars from private insurance and self-insured plans to the government to reduce the government's expenditures for care of non-active duty personnel in military hospitals.

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[1] The DOD proposal does not distinguish between group insurance provided (and largely paid for) by employers and individual policies of insurance purchased by individuals. Because most insurance today is sold as group policies, for purposes of this discussion we will assume the proposal relates only to group insurance.

ISSUE

The issue is whether Congress has the authority under the Constitution to require insurers and self-funded companies, in order to reduce the federal government's expenditures, to pay for care rendered in military facilities to non-active duty personnel who are entitled by statute to free care provided by the government.

DISCUSSION

The Fifth Amendment of the Constitution of the United States requires that no "private property be taken for public use, without just compensation." The purpose of the Amendment is to "bar Government from forcing some people alone to bear public burdens which, in all fairness and justice, should be borne by the public as a whole." Armstrong v. United States, 364 U.S. 40, 49 (1960). The clause was designed to prevent the "arbitrary use of governmental power" to exact "forced contributions" to the government. Webb's Fabulous Pharmacies Inc. v. Beckwith, 449 U.S. 155, 164 (1980).

1. The Government Cannot Take Property Without Compensation In The Conduct Of Its Own Enterprises.

The Supreme Court has recognized that the principles of justice and fairness in the Fifth Amendment require that the government must pay for intrusions on property rights when the government is appropriating property for its own use to enable it to operate one of its governmental functions, or one of its "enterprises."

In its earliest considerations of the Fifth Amendment, the Supreme Court drew a line between governmental intrusions on property rights which were a "taking" of property under the Fifth Amendment, which required compensation, and those intrusions which were "a mere incident of the lawful exercise of the 'police power,' and thus (were) not compensable." Sax, Takings And The Police Power, 74 Yale L.J. 36 (1964). The Court recognized that justice and fairness required that certain types of economic injuries caused by public action were to be compensated: when the government sought to erect a post office on Jones' land, it was obvious that the government had to pay Jones for the property. See Pumpelly v. Green Bay Company, 80 U.S. (13 Wall.) 166 (1871). In other situations, the Court recognized that compensation was not due: when the government sought to close down Mugler's brewery because it was considered a nuisance, the government did not have to pay for the brewery. Mugler v. Kansas, 123 U.S. 623 (1887).

That dichotomy between a taking of property and an exercise of the police power exists to this day. The government (the state under its police power and the federal government under the Interstate Commerce Clause) regulates the use of property in myriad ways, from zoning laws to regulation of toxic wastes.[2] These intrusions on private property have been largely uncompensated, because they resulted from valid exercises of the government's police power to protect the health, safety and welfare of the larger community.[3]

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[2] The essential aspect of the police power cases is a recognition that there are certain regulatory restrictions

These police power cases must be contrasted with situations in which the government intrudes on property interests while carrying out its own operations. In the latter situation, the government is functioning in its "enterprise capacity." Sax, supra at 62; Penn Central Transp. Co. v. New York City, 438 U.S. 104, 135 (1978). When the government intrudes on private interests in its enterprise capacity, it must pay.

The government acts in an enterprise capacity when it does such things as operate a post office or build roads and dams. In carrying out these functions, the government

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(footnote continued from previous page) on property which must be borne. "There must be progress, and if in its march private interests are in the way, they must yield to the good of the community," Hadacheck v. Sebastian, 239 U.S. 394, 410 (1915). The Court has recognized that to govern, the government must mediate between conflicting and competing values; when private parties are at odds, the government must decide which one will be the winner and which the loser. Sax, supra at 62-63. Thus, when the interests of an owner of a brick yard and the neighboring residents conflict, the government may enact a zoning law and require the owner to shut down his yard and no compensation is required. Hadacheck, 239 U.S. 394; see also Goldblatt v. Hempstead, 369 U.S. 590 (1962).

[3] Even when the government is exercising its police power, the courts have sometimes found that the regulation goes too far, and the interests of fairness require compensation. Goldblatt, 369 U.S. at 594 (citing Pennsylvania Coal Co. v. Mahon, 260 U.S. 393, 415 (1922)).

operates very much like a private business. It must have resources to operate: land, buildings, and funds. Sax, supra at 62. Of course, the government's "enterprises" include governmental functions which have no private counterpart, such as maintaining an army.

When the government acquires or uses private property in the operation of its enterprises, the courts have recognized that fairness and justice dictate that the government must pay like any other business. Thus, the government could not obtain a school yard by zoning a business property solely for use as a school yard; it must purchase the property for that use. Pennsylvania Coal Co. v. Mahon, 260 U.S. 393, 415 (1922).

Several Supreme Court cases demonstrate the obligations of the government as enterpriser. As the Supreme Court has recently pointed out, a classic example of the government acting in its "enterprise capacity" is the case of United States v. Causby. Penn Central, 438 U.S. at 135. In Causby, the federal government established a military airport next to Causby's chicken farm, and the low-flying airplanes destroyed the utility of the farm. The Supreme Court decided the government had to pay for the property. United States v. Causby, 328 U.S. 256 (1946). The Court recognized that the government had appropriated the property for its own "strictly governmental purpose" which arose from the "entrepreneurial operation" of the federal government in operating a military airfield. Penn Central, 438 U.S. at 135.

Armstrong v. United States, 364 U.S. 40 (1960), is another example of this principle. In that case, the U.S. Navy had contracted for construction of 11 boats. When the prime contractor defaulted, the Navy exercised its option under the contract to take possession of the uncompleted hulls and all the manufacturing material on hand. When the transfer to the Navy occurred, certain suppliers had not been paid and had outstanding liens against the prime contractor. The Navy, relying on sovereign immunity which made the liens invalid against the U.S., refused to pay the suppliers.

The Supreme Court concluded in Armstrong that the Navy's conduct was a taking of the suppliers' goods under the Fifth Amendment and that the Navy must pay. The Court found this was not an example of property rights being destroyed as a consequence of a valid regulatory measure. Rather, the suppliers' property rights vanished "because the Government for its own advantage destroyed the value of the liens," something which "no private purchaser could have done." Since "this acquisition was for a public use" and "the Government was the direct, positive beneficiary of the property," the Navy had to compensate. 364 U.S. at 48-49.

Finally, the Supreme Court's recent decision in Webb's Fabulous Pharmacies, Inc. v. Beckwith, 449 U.S. 155 (1980) is instructive and relevant. In Webb's, the clerk of the court of a county court in Florida appropriated the interest earned on Webb's funds which the clerk had held during court proceedings between Webb's and its creditors. There was no dispute that the original funds were private property; the question was whether the interest which had accumulated on the funds, held temporarily by the county clerk, belonged to the county. The Supreme Court had no trouble in considering this an (obviously) uncompensated taking which violated the Fifth Amendment.

It found that the appropriation of the funds was analogous to the appropriation of the use of private property for the government's benefit in Causby. 449 U.S. at 164. There was no police power justification even offered by the county. The "exaction" was a "forced contribution to general government revenues." Id., at 163. The Court concluded with the admonishment that government "by ipse dixit, may not transform private property into public property without compensation . . . ." Id., at 164. It pointed out that this was an example of the very kind of "arbitrary use of governmental power" the Fifth Amendment "stands as a shield against." Id.

2. The Government Is Acting In Its Enterprise Capacity When It Forces Insurers To Pay For Free Care In Military Hospitals.

The DOD proposal clearly runs afoul of the Constitution's protections on private property. DOD proposes to prohibit provisions in group insurance contracts and in self-funded health benefit plans which exclude benefits for medical costs which are furnished to employee-subscribers by DOD free of charge. The purpose is to enable DOD to collect from private insurers and employers part of the costs it incurs in running a military hospital system.

DOD's proposal is the precise kind of action which the Fifth Amendment was intended to bar. As in the Webb's case, the proposal is not a valid exercise of the police power, and it does not purport to be. DOD does not purport to be recommending the use of Congress' authority under the Interstate Commerce Clause to prevent national and widespread abuses of employee-subscribers who are beneficiaries of insurance contracts and employee benefit plans. Further, it is not claiming that it has found that the reservation to the states of regulatory power over insurers in the McCarran-Ferguson Act is no longer appropriate because the states cannot handle the job.[4]

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[4] The McCarran-Ferguson Act provides in pertinent part:

> Congress hereby declares that the continued regulation and taxation by the several States of the business of insurance is in the public interest, and that silence on the part of the

DOD's proposal is not even necessary to protect the military dependents and retirees who are insured under their employers' group health policies. The insureds already are protected: a) if they choose care in a private hospital they are covered by their insurance; b) if they are provided care in a military hospital, they do not have to pay, by statute. Thus, any attempt to justify this proposal as a valid regulation of insurers under the Interstate Commerce Clause must fail.[5]

(footnote continued from previous page)

> Congress shall not be construed to impose any barrier to the regulation or taxation of such business by the several States.
>
> . . .
>
> Sec. 2.(a) The business of insurance, and every person engaged therein, shall be subject to the laws of the several States which relate to the regulation or taxation of such business.
>
> (b) No act of Congress shall be construed to invalidate, impair, or supersede any law enacted by any State for the purpose of regulating the business of insurance, or which imposes a fee or tax upon such business, unless such Act specifically relates to the business of insurance . . . . 15 U.S.C. § 1012.

[5] That Congress perceives that it cannot directly regulate insurers in this circumstance is clear from its previous actions in trying to shift Medicare and veterans' medical costs from the federal government to private insurers. On one occasion, it proceeded completely properly; in two others, it found regulatory vehicles which are arguably subterfuges for unconstitutional takings. But, in no case did Congress directly regulate insurers.

When Congress decided to limit its costs for medical care for veterans, it amended the Veterans' Benefit Act to limit the entitlement of veterans in certain circumstances to free care only when the veteran could show he did not have the means to pay for his medical care. Veterans' Benefits Act of 1958, 38 U.S.C. § 622. This action was

Furthermore, this effort to transfer military costs to insurers would be of questionable validity even if it were framed as a regulation of insurers under the Interstate Commerce Clause. It is difficult to postulate the regulatory justification for government intervention on behalf of the public interest to require insurers to indemnify insureds when they had not sustained a loss.

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entirely proper as it only changed the obligations of the government.

In contrast, when Congress decided to shift the medical costs of the working aged from Medicare to the private sector, it chose a more circuitous, more constitutionally suspect route. (It is notable that it still did not purport to regulate insurers directly, however.) Congress amended The Age Discrimination In Employment Act to require employers to offer the same benefits to its employees over age 65 as under or face charges of age discrimination. (29 U.S.C. § 62B.) It also amended the Social Security Act to provide that Medicare would not pay benefits for the working aged to the extent they would be paid under private insurance. (42 U.S.C. § 1395y.) The Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. No. 97-248, § 116, 96 Stat. 324 (1982). While this effected a transfer of funds from insurers and private employers to the government and was arguably an unconstitutional subterfuge for a taking of private property, the reliance on the Age Discrimination Act gave it at least the patina of a valid legislative action, unlike the DOD proposal.

Likewise, when Congress wanted to shift some of the costs of kidney dialysis from Medicare to private insurance, it did not regulate insurance. It amended the Social Security Act to provide that Medicare would not pay for kidney dialysis in the first 12 months to the extent that payment for such care had been made under a health insurance plan. (42 U.S.C. § 1395y.) Then it regulated the employers who sponsor group insurance by amending the Internal Revenue Code to penalize employers who discriminate in the benefits they provide to individuals with kidney disease. (26 U.S.C. § 162.) The Omnibus Budget Reconciliation Act of 1981, Pub. L. No. 97-35, § 2146, 95 Stat. 800 (1981).

Such a regulation would be seen for what it would be -- a subterfuge for a taking of private property without compensation. The courts are not unaware of attempts by governments to "deprive citizens of constitutional rights" "under the guise merely of police regulations." Mugler, 123 U.S. at 662. See discussion in footnote 5, supra.

Nor can DOD justify this action as a mere exercise of its legal rights against Blue Cross and Blue Shield, similar to DOD's rights under the Federal Medical Recovery Act.[6] The Recovery Act gives the government a right to sue tort feasors (and their insurers) who injure military employees. The purpose is to permit the government to recover the medical costs the government incurs in treating the injured serviceman or woman.

That rationale and legal theory, of course, is completely absent in DOD's proposal. Neither Blue Cross and Blue Shield, nor any of its subscribers, has caused an injury to any member of the military which could give DOD a legal right to sue for recovery.

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[6] Congress enacted the Federal Medical Care Recovery Act in 1962. 42 U.S.C. §§ 2651-2653. The Act was enacted as a result of the holding of the Supreme Court in United States v. Standard Oil Co., 332 U.S. 301 (1947), in which the Court denied the federal government a right of action against a negligent third party for the cost of medical care provided an injured serviceman. In so holding, the Court reasoned that it was for the Congress, not the courts, to create such a liability. Id. at 314-15.

Nor can DOD proceed on any theory that it is a third party beneficiary of an insurance contract. The policies express a "clear indication of intent not to pay benefits when a federal law requires overlapping benefit payments." United States v. Jackson, 572 F. Supp. 181, 185 (W.D. Mich. 1983).[7]

Instead, the proposal is a stark example of the arbitrary use of government power to acquire resources necessary for the government to operate. This proposal is, in effect, to cause a direct transfer from health insurers and employers to DOD of millions of dollars to provide the government with resources to meet the obligations the government has undertaken to care for certain military personnel. As in Armstrong, the government is acting for "its own advantage" and it will be the "direct, positive beneficiary" of the funds it wants to appropriate from insurers. Armstrong, 364 U.S. at 48-49.

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[7] Similarly, the Government cannot recover its costs under the Recovery Act from the tort victim's insurance company. Jackson, 572 F. Supp. at 184-85. Rather, such right of recovery is independent of the Act and turns on whether the United States is an insured within the meaning of the policy at issue (e.g., Government Employees Insurance Co. v. United States, 376 F.2d 836, 837 (4th Cir. 1967) (allowing recovery); United States v. Allstate Insurance Co., 306 F. Supp. 1214, 1214-15 (N.D. Fla. 1969) (denying recovery)), or is deemed a third-party beneficiary under the policy (e.g., United States v. United Services Automobile Ass., 431 F.2d 735, 737 (5th Cir. 1970), cert. denied, 400 U.S. 992 (1971)).

FAMILY SUPPORT/SERVICE CENTERS

Question: Each of the services has Family Support/Service Centers located at various (but not all) bases. The purpose of the centers is to provide support to families and to ease the strains of military life--particularly for those who are new to a geographic location or new to the service. Some of the programs and services the centers typically provide are:

- o Relocation and emergency assistance;
- o Employment education and job information;
- o Family development counseling and education;
- o Financial management education.

I believe that family satisfaction has a tremendous impact on the individual service member's decision to remain on active duty. I am pleased to see the emphasis the services are placing on Family Support/Service Centers. The Family Support/Service Center seems like an effective way to improve retention.

- o By service, what is the total dollar request for Family Support/Service Centers? Does most of your request fall under Military Construction?
- o Would it be possible to use existing facilities to house the Centers in some cases and, thereby, save construction dollars?
- o Do you have survey or utilization data to demonstrate the satisfaction of military families with the program?
- o When do you expect to cover all installations with some sort of Family Support/Service Center?

General Elton: The Army's Family Support/Service Centers are called Army Community Service (ACS) Centers. They are the installation commander's primary resource for family support on Army installations. The President's Budget for FY 86 includes $29.5M (Operations and Maintenance Army) for the operation of these programs. In FY 86, the Army budget includes a community center project at Fort Irwin to provide a combined facility for ACS and general educational development. The cost estimate is $1.9M (Military Construction Appropriation) making a total budget projection of $31.4M for FY 86.

ACS Centers are currently using existing facilities. This is because our family support center program has existed only since 1965. We are planning to assess current facilities in FY 86 with the intention of upgrading those in need of repair or replacement.

A FY 85 Morale, Welfare, and Recreation (MWR) worldwide survey indicated that over 57 percent of those responding to the survey were satisfied with the ACS program. In regard to utilization data, over 2.5M personal services were provided in FY 84.

ACS Centers have been established at 166 locations worldwide. In accordance with Army policy, these centers now exist at all installations where the population is 1,000 or more. All installations under 1,000 are required to establish as a minimum an ACS point of contact for all matters regarding ACS program services.

HOUSEHOLD GOODS WEIGHT ALLOWANCES

Question. Servicemembers are allowed to move certain amounts of household goods at government expense during permanent change of station moves. The weight allowances are based on grade; currently, they are considered inadequate, especially for the junior enlisted and senior officer ranks. The problem is one of funding, not of authorization. In addition, the Appropriations Committees have required the services to seek approval for any change to the regulations that govern the weight allowances.

Mr. Panetta has proposed that specific increases be authorized in law: the services have requested additional resources to fund proposed weight allowance increase by regulation.

Although certain other housing related allowances are computed based on the existence of dependents in a household (e.g., Basic Allowance for Quarters), the weight allowance currently are based solely on grade. The rationale for this is unclear. A system based on grade and existence of dependents might provide more adequate reimbursement for all personnel (since a family of 5 certainly needs a higher household goods weight allowance than a single military member).

o Why are the household goods weight allowances based solely on grade?

o Has the Department of Defense given any though to restructuring the system in order to consider the existence of dependents as well as the member's grade in establishing weight allowances?

General Elton. The Department of the Army policy on this matter has always been that there should be only one scale based on the philosophy that the household goods weight allowance is an entitlement ascribed to the member. It does not discriminate between members of the same grade by dictating acceptable lifestyles through designation of certain conditions, i.e. marriage, which would allow an increase in entitlements.

MANAGEMENT OF CIVILIAN PERSONNEL WITHOUT END STRENGTH CONSTRAINTS

Question: What is your analysis of the removal of civilian personnel end strength constraints during fiscal year 1985? What initiatives have you planned to ensure careful stewardship of civilian personnel resources should Congress agree to continued management by dollars and work load?

General Elton: We have directed Army commands and agencies to submit work force employment plans by month for FY 1985. These plans must fit within an Annual Financial Target for Civilian Employment which equates to FY 1985 budgeted civilian personnel costs. Our initial analysis of work force employment plans shows that Army's projected civilian employment level through FY 1985 will average near 412,000, which is consistent with employment trends in previous fiscal years. Since nearly all projected employment growth will be in other than full-time employees, full-time permanent employment is projected to remain near the FY 1985 Budget Estimate. This shows that Army commands will continue to use temporary hires to meet work load surges and that Army will avoid the turbulence of releasing these temporary hires to meet an end of fiscal year ceiling.

At this point in time, it appears that our methodology for managing civilian employment levels is basically sound and will be continued in FY 1986 should Congress agree to continued management by dollars and work load. Our approach is, however, being refined and modified as additional experience is gained in operating without end strength ceilings. While growth in temporary hires is projected, this growth must be subject to total program priorities and be accommodated within budgeted civilian personnel costs for approved work load.

ACTIVE DUTY DEPENDENT DENTAL CARE PLAN

Question. You have indicated that you feel a dependent dental CHAMPUS program is one of the highest priority family issues. Unfortunately, with the anticipated constraints on military spending this year, it will be difficult to identify $105 million for the modest dependent dental care program proposed by the Department of Defense unless some offsetting cut can be made elsewhere in the medical budget. To find such funds in the CHAMPUS program itself would require very large increases in the deductables and copayments or reductions in covered services.

The Congressional Budget Office in its paper entitled "Reducing the Deficit: Spending and Revenue Options" proposed a user fee of $5 (enlisted) to $10 (officers) for outpatient care at military medical facilities. Realizing that you would strongly oppose such a fee in isolation, what would your reaction be if it were tied to a dependent dental care plan, particularly if there were a $100 annual limit on out-of-pocket expenses for enlisted families and a $200 annual limit for officer families, as proposed by CBO.

Do you have any other suggestions of ways to pay for a dependent dental care plan?

General Elton. The imposition of a user fee is not the proper method of generating revenues to fund a dependent dental care program. Such a fee would not produce the revenues expected because military beneficiaries will defer less expensive outpatient care, which results in higher cost inpatient episodes and will migrate from the direct care system to CHAMPUS as the cost differential is decreased. In addition, the cost of collecting the fee would further offset the generation of revenue. The most damaging effect, and of prime importance to the Army, is the adverse impact on retention of careerists and the attendant degradation of combat readiness. The imposition of a user fee, for whatever reason, would be seen as a further erosion of benefits and an actual reduction of disposable income. The draft Defense proposal for a dependent dental care program contains sufficient savings proposals to more than offset the government cost. The savings in the draft proposal are obtained by creating the CHAMPUS-MEDICARE reimbursement link; implementation of Coordination of Health Benefits; and allowing the Health Facility Designation or Closed Enrollment concept.

NEW MANNING SYSTEM

Question: General Elton, given that mobilization plans call for a return to individual replacement rather than the unit replacement emphasized in the new manning system, how will the transition from peacetime manning of combat units to wartime manning of combat units be accomplished?

General Elton: Our current doctrine provides general guidance but no specific procedures for how we will transition from the peacetime manning of combat units to wartime manning of combat units. The need for detailed procedures had been previously identified and we tasked the Soldier Support Center at

Fort Benjamin Harrison to determine how we should conduct the transition, if it is determined that a Unit Replacement System is required for the sustainment of units in combat. The statement of work is now under development and we expect a preliminary answer to the question within the calendar year.

Question: Will the positive effects of the new manning system be lost in wartime due to the disestablishment of COHORT units?

General Elton: No. The positive effects of cohesion and leader strengths should be retained in wartime. The procedure of disestablishment will terminate under wartime conditions resulting in the continued close working relationships amongst soldiers who have trained and lived together for an extended period of time. The bonding and experience will be retained, with small elements (teams and squads) and individual replacements filling the strength shortages created by combat losses.

Question: What are the advantages and disadvantages of continuing unit replacement during wartime?

General Elton: Although we expect the Soldier Support Center Study to provide specific advantages and disadvantages of continuing a unit replacement system during wartime, an historical review indicates the use of unit replacements added cohesion, increased stability and improved morale. Some of the disadvantages of the system were generally related to time required to train units and the availability of personnel to form new units.

Average Strength Shortfalls in ARNG and the USAR

QUESTION: General Elton, I understand the Army National Guard and the Army Reserve failed to meet their authorized average strength levels last year. Did this occur primarily as a result of increased attrition or reduced accessions?

How do you intend to remedy this situation and meet the fiscal year 1985 authorized average strengths?

GENERAL ELTON: It is true that both the Army National Guard (ARNG) and the US Army Reserve (USAR) failed to achieve their authorized average strengths in FY 84. However, in terms of authorized end strengths, the Army Reserve missed their end strength goal by 25 soldiers and the Army National Guard exceeded their end strength by 1,259. In both of the reserve components, application of recruiting resources late in the fiscal year did much to alleviate the problems.

In the Army Reserve the primary reasons for failure to achieve programmed average strength were attributable to higher than programmed losses and the inability of the recruiting force to overcome these high loss rates and to accomplish early FY 84 non-prior service objectives. Significant steps have been taken in both retention and accession programs to remedy the problems we had last year. Through increased command emphasis and improved accession quality over the last few years, we expect a 2 percentage point reduction in overall attrition rates in Army Reserve units for FY 85. Current FY 85 unit losses (thru Feb 85) are running 4,087 below the level for this same period in FY 84. We also increased the recruiter force by 650 personnel in FY 85. This additional manpower provides the foundation for the accomplishment of the increased non-prior service and high quality objectives needed in meeting programmed strength increases through FY 90. FY 85 enlistments for USAR units are running 4,121 above the same period of FY 84.

In the Army National Guard the low average strength resulted entirely from a shortfall in accessions. In fact, overall enlisted attrition declined in the ARNG in FY 84 from 22.0% of average enlisted strength to 19.5%. FY 85 losses (thru Jan 85) are running 7,833 lower than the same period in FY 84. Both the Chief, National Guard Bureau and the Director, Army National Guard are taking positive action to ensure that the Army National Guard achieves both average and end strengths in the future. As with the US Army Reserve, additional recruiting resources have been added to the ARNG recruiting force. Since mid FY 84 the ARNG has added 700 personnel to the recruiting force and these recruiters are now trained and on station so we expect their impact to be felt during the last two quarters of this fiscal year. We have also added increased resources to recruiter support and to vigorous nation-wide advertising.

In summary, we are, in fact, taking positive steps to ensure that the reserve components of the Army have sufficient command emphasis and necessary resources to be able to achieve their average and end strength goals. I believe, as do the Chief, National Guard Bureau, Director, Army National Guard, and Chief, US Army Reserve that both components will succeed in achieving their goals.

INCREASE IN FULL-TIME SUPPORT REQUEST FOR ARMY RESERVE

Question: Last year, the committee directed that the Army National Guard and the Army Reserve attain 14 percent full-time support by 1989 in order to enhance the readiness and improve the effectiveness of the reserves. The committee recommended reducing the request for some of the additional active guard and reserve (AGR) personnel requested last year in order that the 14 percent by 1989 goal be achieved by a steady ramp rather than by large increases in fiscal years 1985-1986 followed by little or no growth in fiscal years 1987-1988.

The Army is requesting more than 14,000 growth in AGR personnel in fiscal year 1986. This level represents more than what a steady ramp to 14 percent in 1989 would be. (A steady ramp would be 11,600 growth each year.)

General Elton, the Army is requesting more than 14,000 additional active guard and reserve (AGR) personnel for fiscal year 1986 for the Army National Guard and Army Reserve. Does this represent a steady ramp to 14 percent full time support by 1989? Given that the committee directed the Army to achieve 14 percent full time support by 1989 in its reserve components by a steady ramp why are you requesting more than this level?

General Elton. Our request for additional AGR personnel for Fiscal Year 1986 is based on projected mission requirements rather than an attempt to build a symmetrical ramp toward a fixed percentage strength figure. The number of AGR personnel requested in the President's Budget represents the minimum essential requirement for full-time military personnel to recruit, train, manage, administer, supply and maintain the Reserve Components. The actual number of personnel needed to accomplish these tasks was determined by manpower studies of unit level requirements and analysis of the Reserve Component mission load. The numbers and types of AGR personnel reflected in respective Reserve Component staffing guides closely approximates the ultimate manning level desired by the committee and requested by National Guard and Army Reserve units.

PROPER MIX OF FULL-TIME SUPPORT PERSONNEL FOR THE GUARD AND RESERVE

Question. General Elton: There has been considerable discussion over the past few years about the proper mix between reservists on full-time active duty (Active-duty Guard/Reserve--AGR) and civilian technicians to provide support for the guard and reserve. In the past, when queried about the heavy emphasis placed on increasing the number of AGR personnel, with little or no increase in the number of civilian technicians, the Army has responded that the civilian personnel ceiling made it unrealistic to request more civilian technicians. In recognition of that problem, Congress last year removed the civilian personnel ceiling and directed the services to base their requests for full-time support personnel on the most cost-effective mix of personnel possible. That direction notwithstanding, the Army this year has requested a growth of more than 14,000 full-time military (AGR) personnel with virtually no additional technicians despite the concerns expressed by the Appropriations Committee and others that AGR's are not necessarily the most cost-effective option. No growth in the technician program also constrains the career development potential for the technician work force.

When does the Army plan to address the question of the most appropriate mix of full-time support personnel, rather than assuming that more AGR's are the only option? Failure to do so could impede achievement of the ultimate goal of improving readiness through increased full-time support of the guard and reserve.

General Elton: The Army's Reserve Components have completed a comprehensive review of their respective full-time unit support requirements. During this review, the National Guard Bureau and US Army Forces Command identified additional requirements for military technicians within headquarters and maintenance organizations, and other selected units. Once implemented, these models will provide for an optimum mix of AGR and military technician personnel. In order to assimilate additional technicians, the Reserve Components need the latitude to modify technician job descriptions and position structure to correspond with changing mission needs. Given this flexibility, the Army National Guard and US Army Reserve will be able to deploy their respective AGR and military technician forces in a cost effective manner consistent with unit readiness requirements.

INCREASED CIVILIAN PERSONNEL SUPPORT FOR MEDICAL QA PROGRAMS

Question: On page 27 of your statement, you indicated that the Army plans to assign some of the planned increase in civilian personnel to medical care quality assurance programs.

Would you delineate the number of civilians planned for medical quality assurance and the functions they will perform?

General Elton: Army currently has 22 civilians reprogrammed from within resources which are employed in medical quality assurance. Army is requesting 115 additional civilians for FY 86 as a minimum core staffing requirement to implement the medical quality assurance program.

These civilians will be employed to assess and monitor the quality of patient care provided to include every aspect of medical treatment facility operations and encompasses all hospital activities. The objectives are to improve the quality of patient care, reduce risk-creating incidents and adverse effects to patients, evaluate health care provider performance through realistic performance-based credentialing and other problem-focused review mechanisms, and to reduce medical malpractice claims to a minimum. New DOD Quality Assurance Directives require that the record of each patient discharged from a hospital be reviewed for 18 separate occurrences, and that the record of each patient treated in an Emergency Room be screened for 16 separate occurrences. In FY 84 Army Hospitals discharged more than 400,000 patients and treated more than 1.68 million patients in Emergency Rooms.

IMPROVED INFORMATION ON HOW TO USE MEDICAL CARE SYSTEM

Question: Dealing with the medical care system can be a frustrating experience for many military families due, in part, to confusion about when military medical facilities must be used and to the complexities of the CHAMPUS program.

Realizing that the individual hospital health benefits advisors do yeoman service in trying to assist, I wonder if there is not a role for the family service centers to get more into this process and act as an initial point of contact and clearinghouse for basic medical system information. Given the young age of many spouses (under age 20), wouldn't this be a far less threatening environment to many of them?

In addition to the basic orientation to military life film that the Army is using at identification card issuance centers for this population group now, have you considered an information program more specifically targeted to using the medical care system?

General Elton. The installation medical treatment facility (MTF) and the local Army Community Service (ACS) Center currently provide information regarding the availability of health care services. Since the military health benefit system is complicated, the function of the health benefits advisor to give specific advice concerning its proper use cannot be transferred to ACS personnel. We agree, however, that we can improve the interface between the MTF and the standard ACS information and referral system.

We are upgrading our ACS information and referral system to enable the provision of more detailed information and for it to be available from each installation human service/family support activity.

By arranging a more active interplay between MTF and ACS, we will accomplish our common goal of providing more accurate, timely and specific information in regard to health care system.

FORCES COMMAND WHITE PAPER ON CIVILIAN TECHNICIANS

Question: With respect to the Forces Command white paper in possible termination of the dual status of civilian technicians, what type of notice does the Army plan to provide the Congress if a decision is made to implement?

General Elton: The Army has decided that dual status will remain as a condition of employment for USAR military technicians.

If, in the future any change to this policy is contemplated, the Congress will be consulted, prior to any final Army decision.

IMPROVED EMPLOYMENT OPPORTUNITIES FOR MILITARY SPOUSES

Question: 1. Following up on the discussion in your statement of improving employment opportunities for military spouses (page 36), what is the Army doing to assist military spouses in finding employment with the Army and other elements of the Department of Defense?

2. Would you explain the system of providing noncompetitive appointments for dependents. How many jobs are involved?

3. In order to expand employment opportunities for military spouses, what changes would you recommend in present civil service law/policy? Is there anything further that can be done to expand non-appropriated fund employment opportunities?

General Elton: 1. Army aggressively supports the DOD family member preference policy overseas. In Europe, where we have the largest overseas concentration of employees, over 18,000 or 70% of the U. S. work force are family members.

In the continental U. S., we have instituted the Department of Army Family Member Referral System to assist family members who are current Army employees. The system is an adjunct to the automated Department of Defense Priority Placement Program and provides for voluntary registration and referral of family members who accompany their sponsors on a permanent change of station move within the continental United States. Over the past 18 months, we have experienced a 72% placement rate in this program.

Our installations have begun to establish One-Stop Employment Information Centers based upon an Army model. These centers facilitate the job search by centralizing employment information about Federal and private sector jobs and volunteer opportunities in one location. Civilian Personnel Offices and Army Community Service (ACS) cooperate in establishing these centers. As the ACS portion of the program is funded and fully implemented (FY 86-90), comprehensive services provided to family members will include counseling and training in job search techniques and skills assessment.

In order to ensure the availability of accurate, timely employment information, we have developed standardized employment information sheets on 125 U. S. posts and seven overseas areas. These have been distributed to the field to assist in counseling family members.

2. Family members who meet the requirements of Executive Order 12362 (24 months creditable overseas service) are eligible for noncompetitive appointments to competitive service Federal positions in the United States. After returning to the United States from a foreign overseas tour in which eligibility has been earned, the family member may apply at a local civilian personnel office (CPO) for available jobs in any occupation and grade level for which they qualify, subject to meeting Office of Personnel Management qualification requirements and time-in-grade restrictions. The CPO can directly appoint the family member without requesting a civil service list of eligibles from the Office of Personnel Management. This direct appointment eligibility is very similar to reinstatement eligibility for persons who have formerly served in the civil service. Army made 1338 appointments under the EO 12362 authority as of 31 December 1984. We understand that this represents the most appointments under this authority made by any agency of the Federal government.

3. We believe the Office of Personnel Management (OPM) should effect changes in civil service policy to allow (1) family members

who transfer with sponsors to a new duty location to re-open closed civil service registers to permit equal consideration with applicants who are not obligated to move; and (2) easing time-in-grade restrictions for former temporary appointees. We will be taking these issues to OPM for consideration in the near future.

Based upon an Army recommendation, OSD has authorized a nonappropriated fund (NAF) family member preference policy test in Alaska and Hawaii. Army NAF reinstatement policy was changed in March 1984 to enhance job continuity for NAF employees.

COSTS OF THE LIGHT DIVISION

Question. What portion of the Army's planned family housing budget over the next five years will be devoted to the new 10th division, particularly if the build-to-lease concept does not work out as planned?

General Elton. The portion of the Army's planned family housing budget over the next five years devoted to the new 10th division is as follows:

IF BUILD TO LEASE IS SUCCESSFUL

FY 86	FY 87	FY 88	FY 89	FY 90
4.6%	5.8%	0.6%	0.8%	0.8%

IF BUILD TO LEASE IS UNSUCCESSFUL

FY 86	FY 87	FY 88	FY 89	FY 90
8.7%	5.8%	0.6%	0.8%	0.8%

IMPACT OF ARMY TANK CREW PERFORMANCE DATA

Question. General Elton, your statement (page 6) presents data showing the relative performance on tank crew qualification firing tests in Europe by Armed Forces Qualification Test score (AFQT) mental categories. It is interesting to note the significant difference in performance for M60 tank crews between higher and lower mental category soldiers; category I's score almost twice as many kills as category IV's. Equally interesting is the fact that there is far less difference between the performance of different mental categories in the case of the M-1 tank; in fact, a category IV scores better on the M-1 than a category I on the M-60.

How is the Army applying this data in recruiting for tank crew members, particularly as more M-1's come into the inventory? Aren't there trade-offs on relative costs here between equipment and recruiting expenditures?

General Elton. I would like to answer your last question first. The empirical analysis of European tank qualification results that were reported raises the issue of whether it is more efficient to lower the quality requirements of Armor soldiers while increasing the number of M1 tanks. The Army fully recognizes the importance of exploiting such possibilities when designing and procuring equipment. Because of this it has taken steps to include human factors engineering considerations early in the procurement process. However, inferences regarding the proper mix of technology and labor quality can only be made by combining information on the relative costs of these factors with their relative impact on performance. For example, a unit consisting of 100 I-IIIA tank crews manning 72 M60's and 28 M1's would average

1000 kills on the Grafenwoehr range. To achieve the same number of kills with 100 IIIB crews would require that they man 38 M60's and 62 M1's. While both of these units would have the same expected performance, the unit with more IIIB's would cost between $22M and $25M more than the unit with fewer M1's but more I-IIIA soldiers. This does not mean that the M1 is a bad tank, for it is clearly a superior piece of equipment. Rather it reflects the fact that the capital costs are much greater than the costs associated with increasing the quality of Armor soldiers. Furthermore, even though a I-IIIA's performance advantage over a IIIB is attenuated in an M1 (6.3% better on an M1 vs. 21.8% better on an M60), it is still quite substantial relative to the cost required to man Armor with high AFQT category soldiers. Finally, because of the large numerical advantage in conventional forces enjoyed by the Warsaw Pact, the Army believes that it is important to field high quality soldiers equipped with high quality equipment.

The Army updates its recruiting mission and desired AFQT distribution by MOS on a yearly basis. This update begins with the MOS proponent reviewing the tasks, requirement and soldier performance from the initial entry to the NCO level. As more data, such as the tank crew performance data, is obtained, they will be incorporated into these reviews and used to determine our future goals.

EFFECT OF HIGHER MENTAL CATEGORY RECRUITS ON FIRST-TERM ATTRITION

Question: General Elton, the chart on page 7 of your statement relative to first-term attriting demonstrates the correlation between high school diploma graduates and first-term stick-to-it-tiveness. It is interesting to note, however, that the first-term attrition rate for high school diploma graduates has changed little since the late 1970's despite the significant decline in the number of lower mental category recruits. A similar correlation does not appear to exist between stick-to-it-tiveness and upper mental categories.

Given the recruiting resources needed to attract 90 percent mental category I to III accessions, does the optimal cost-effectiveness trade-off occur somewhere below III-A?

Answer: The best predictor of an applicant's probability of attriting during his first term of enlistment is whether or not he possesses a high school diploma. The attainment of a diploma is a good predictor of general stick-to-it-tiveness during an initial enlistment. Because of the costs associated with attrition from the Service, the Army has adopted the goal of limiting its non-high school diploma graduate enlistments to less than 10% of total accessions.

This conclusion regarding the merits of limiting the number of non-graduate accessions because of their high attrition rates does not imply, however, that the Army need concern itself solely with educational achievement when defining its accession quality goals. While empirical studies have shown level of educational attainment to be the prime predictor of a soldier's likelihood of completing his enlistment, other studies have shown that trainability and post-training performance are more highly correlated to an individual's Armed Services Vocational Battery (ASVAB) scores than to his level of education. An example of such evidence is the recently completed study of tank crew qualifications in Europe that was reported to you during this hearing. In that study, tank qualification scores were highly correlated to the soldier's Armed Forces Qualification Test (AFQT), which is a subset of the ASVAB scores but were not positively related to high school graduation.

Because the Army measures soldier quality in terms of the individual's performance as well as the likelihood of his completing his initial term of enlistment, it sets its accession quality goals in terms of both the AFQT distribution of its enlistees and the percent of high school graduates. Furthermore, in its recently completed report to Congress on accession quality requirements, which is currently being reviewed by DoD, the Army shows that based on the available data on the cost and performance tradeoffs amongst AFQT groupings, its current goals for the percent of accessions that are AFQT I-IIIA are indeed cost effective.

MEDICAL CARE QUALITY ASSURANCE

Question. During the early months of the year, we were confronted with a series of news and articles, as well as a two-part series on NBC television, decrying the quality of care provided in military medical facilities. Obviously, such charges have a great impact on you as the service manpower chiefs. What is your perception of this situation?

Mr. Spurlock. I have been quite concerned with the quality of Army medical care since I took office in August, 1983. Our servicemembers and their families deserve nothing less than the best possible medical care our Nation can provide. I have been personally involved in taking actions to ensure such care. In my view, although we have incidents of negligence and malpractice, we have a good system with many excellent, devoted doctors who are performing outstanding service for their patients and the Nation. Our goal should be to ensure that adequate standards, checks and balances, and information are available to identify substandard practitioners and institutional practices before quality care is compromised. In addition we must ensure that lessons of past mistakes are promptly institutionalized and made available to all facilities.

Question. Do you feel that there are sufficient checks within the system to discipline poor quality doctors or should there be greater accountability of the medical community to the line? If so, in what way?

Mr. Spurlock. The UCMJ and administrative procedures provide the tools to discipline poor quality doctors. Hospital administrators have the same responsibility as line commanders to use these tools to maintain discipline. The medical chain of command must maintain and enforce high standards for doctors, on and off duty. Some of the links in the chain need strengthening and with high level vigilance we will continue to move in that direction.

Question. For example, should the Assistant Secretary for Manpower have had a say in the decision by the credentialing committee and hospital commander at Walter Reed to restore Dr. Watson's credentials on the day before he left the service?

Mr. Spurlock. I believe that my responsibility is to oversee the standards used during the credentialing process and ensure their correct application. There must be adequate and uniform standards for use by credentialing committees to ensure that all practitioners meet minimum standards of professional and ethical conduct in order to obtain credentials. The initial credentialing decision is and should be made by a doctor's professional peers and finally by that individual ultimately responsible for the delivery of health care at the facility. However, these decisions are not exempt from external review to oversee their fairness to the individual and the patient. In the case of Dr. Watson, the Committee and commander made their decision under provisions of the regulation and standards applicable at that time.

Question. "If you had a blank check on the accountability of the medical system, how would you fill it in?"

Mr. Spurlock. Under the provisions of 10 U.S.C. § 3012, the Secretary of the Army has plenary authority over all affairs of the Department of the Army. Pursuant to this statute, the Secretary of the Army has delegated authority over the Army's medical care system to the Assistant Secretary of the Army (Manpower and Reserve Affairs). The Assistant Secretary exercises policymaking and oversight responsibilities in the area of medical care. The policies in this area are implemented by the Army Staff, and specifically by The Surgeon General, a member of the Army Staff.

I appreciate this opportunity to present to the Committee my thoughts and in some instances specific initiatives I have taken regarding the medical care system of the Army. While many of our initiatives are not fully implemented, I believe that when these programs are in place, the Army will have one of the best medical care systems in existence.

On the question of accountability in general, there are several groups of people or institutions that hold the Army accountable for the quality of its medical care system. Unquestionably, any creditable medical care system is accountable first to the individual patients served by that system. This is our primary responsibility. In addition, an Army hospital is similar to any civilian hospital in its accountability to the medical professional community and to the general public.

Beyond these, Army health care facilities have three areas of unique accountability not shared by our civilian counterparts. First, as a part of the national defense structure, we must be accountable through the chain of command to those people vested with the responsibility for ensuring our national security. This is analogous to a civilian hospital's accountability through its board of directors to its owners. Second, because our budget comes from the general public through monies appropriated by the Congress, the Congress demands our accountability. Third, we must answer to the American people because their sons and daughters serve in the Army.

In the past, individual Army hospitals and doctors have experienced shortcomings in accounting to the Army leadership. The Army is taking steps to correct this situation. But individual Army medical treatment facilities are not accountability antonomous. Such facilities are part of the Army's medical system which account to a chain of command. The chain of command from the local hospital runs first to the major medical command in charge of that hospital. There are three such major medical commands in the Army, the largest of which is the Health Services Command and the other two are elements of USA Europe and Eighth Army, Korea . Those major medical commands report either directly to or thru the major oversea commands to the Chief of Staff of the Army, who relies heavily on The Surgeon General for advice and operational management. The Secretary of the Army exercises his oversight responsibility through the Chief of Staff.

It is essential that communication from installation hospitals to the Department of the Army, and that appropriate direction, sometimes in the form of traditional command and control, from the Army back to those hospitals be clear and timely. This two-way communication enables local hospitals to surface potential problems to higher command levels and HQDA so that responsive and responsible policies can be promulgated worldwide. This will help our quality assurance program to be more effective.

In sum, although we have the organizational structure capable of ensuring strict accountability in the Army's medical care system, the methods and standards for achieving accountability have to be fully developed and enforced in order to achieve the required accountability.

There are a number of programs that we are implementing in the Army in order to improve the quality of medical care through improvements in the system.

One of the consistent themes in the initiatives we are taking is the improvement of the exercise of command control over the various aspects of the administration of medical care. This theme can be seen in our attempts to have a centralized review, outside of the confines of the individual hospital, of various aspects of medical care, including credentialing, the proper use of medical equipment, and the policies regarding terminally ill patients. We are increasingly looking to the major medical commands, the individual commander, and the Army Staff to answer for what happens at local military medical treatment facilities within their respective responsibilities.

Despite some initial resistance to the increased accountability, we believe that the situation demands this level of oversight. That resistance is attributable in part to a view of the Army Staff and command relationship which precludes orders to major commanders. As an example, a previous Surgeon General of the Army claimed that he could not effect a result on a matter within the purview of the Commander of Health Services Command. This idea, when carried to its logical conclusion, will thwart any attempt at continuing oversight of the military medical system. Another cause of this resistance is the Army's failure to prepare medical officers for the responsibilities and duties of command. To remedy this, the Army is now requiring all commanders, including doctors, to attend pre-command courses to develop the sensitivity to and the capacity to exercise the many responsibilities of command.

The theme of greater oversight can also be seen in the strict accountability for professional care and off-duty conduct of physicians. The credentialing process has for too long been considered the sole province of the local hospital. While this system could theoretically work in a civilian hospital, it does not work in the military system where there are many hospitals reporting to a central authority and where the doctors at all of these hospitals can be and are transferred with great frequency. Consequently, we are in the process of implementing regulations to require local credentials committees to consider all practitioner conduct that reflects on his or her character as well as on his or her ability to perform as a doctor. Additionally, we are developing minimum standards of proficiency for each specialty which will apply uniformly to every medical treatment facility world-wide. Further, in my view, serious consideration should be given to the placement of a non-physician on each credentials committee to add external influence to those committees.

We are also increasing our emphasis on the high standards expected from officers who happen to be doctors. This is an integrity issue. All commissioned officers are held to high standards of eithics and integrity. These standards should not be relaxed for commissioned officers in the health care profession. The very serious difficulty here is that certain practices that may be widespread in the civilian sector present serious questions of conflict of interest when participated in by commissioned officers in the United States Army. There must be a dual approach to the problem. First, we must educate all of our health care providers in the unique requirements of government service. Second, we must unify the ethics and medical competency criteria in the credentialling process in order to eliminate obvious anomolous results.

We are also seeking to have a greater sharing of information with the professional community regarding physicial decredentialing. When the Army now decredentials a physician, that action is reported to the appropriate medical licensing authority. This increased communication is designed to prevent situations where a physician is decredentialed by the Army and yet is able to begin or maintain a practice in the civilian sector without State review of credentials. This increased communication will also prevent converse situations.

Another initiative recently instituted is the increased coordination between the various Army elements that work on the continuum of medical misadventures from the prevention thereof to their legal defense in court. We have increased the manpower allocated to both ends of this spectrum. Now each level of medical command has quality assurance personnel assigned. Several major treatment facilities have added an additional lawyer to work in quality assurance and risk management. The connection between settling claims and the provision of quality assurance might not be obvious to the casual observer. The civilian community, however, recognizes risk management as an integral part of quality assurance. Army lawyers are often criticized for settling cases too soon when the doctors feel that there is little evidence of malpractice. These cases are often settled, however, because of the lack of a record upon which to base a legal defense in court. Better communication about the handling of claims will increase the level of trust and confidence between doctors and lawyers, and will improve morale in the Army's medical profession. Both of these results will redound to the benefit of the quality assurance program.

During the course of investigation of claims, certain matters may be discovered which may or may not have injured a patient. In either situation, this information may be very useful in trying to prevent unfortunate occurrences from happening in the future. On the other hand, the defense of lawsuits can be greatly aided by the quick collection of information after an incident has occurred. Such collection and preservation of evidence is essential to determine exactly what happened whenever the case is finally litigated. We are currently in the process of establishing a task force to combine the many elements of the Army who work on this continuum to research ways of improving communications and processes that will inure to the benefit of quality assurance.

Finally, in response to great Congressional concern regarding the amendment of the Feres doctrine to compensate persons injured by medical misadventures, we are looking at the adequacy of the compensation system for servicepersons injured on duty by any source. We believe that an improvement in the adequacy of the compensation system will lessen the hardships suffered by those who are disabled as a result of medical misadventures as well as the result of any other accident.

In conclusion, the Office of the Assistant Secretary of the Army (Manpower and Reserve Affairs) has the potential for exercising sufficient authority over the Army's medical community to require the necessary level of accountability. This potential is not yet fully realized because of resistance to direction from those outside the traditional chain-of-command. A prerequisite to the existence of sufficient control by this office is the continued aggressive oversight on policy and practice by the Armed Services Committees of the House and Senate. The continued visible interest of these Committees in military medicine is essential. Piecemeal consideration of isolated events or issues is wholly inadequate to ensure the strict accountability of the Army's medical system that the Congress and the American people expect and are entitled to.

CONSIDERATIONS FOR TRAINING

Question. The committee's attention has been engaged on the subject of training. Of special interest are the effects of doctrinal choices on training and, consequently, on manpower quality requirements. What are your thoughts on taking training considerations into account earlier in the process of:

- o doctrine and strategy formulation?
- o weapon conception, design, and acquisition?
- o calculation of trade-offs between system technology and manpower quality to yield a fixed capability?
- o mobilization planning and post-mobilization operations?

Mr. Spurlock. The Committee's questions are most welcome. While my responses reflect my views as Assistant Secretary of the Army for Manpower and Reserve Affairs, I have not sought consensus regarding or approval for them within the Army or the Office, Secretary of Defense; however, they have been provided to OSD for information and security review.

The assumption implicit in your preface is the place to begin the discussion. There you note:

> "Of special interest are the effects of doctrinal choices on training and, consequently on manpower quality requirements."

The linkage of doctrine (or more precisely in this case, combat developments), training and personnel requirements, while logically irresistable, has been successfully resisted in practice. Why? Broadly, the reasons are two: studied disinterest and lack of accountability.

First, the issue of disinterest. Traditionally, the Army's weapons developers have not been interested in the personnel and training implications of their work because such considerations were perceived as constraints upon their ability to successfully shepherd the system through design and production "on time" at a quantifiable cost. As a consequence, there was, and remains for many, a powerful disincentive to the linkage of training and personnel at early stages of the developmental process. Such disincentives have easily overridden the logic of effective planning for the system's ostensible raison d' etre: its ultimate marriage with the soldier on the battlefield.

Studied disinterest is, perhaps, the most charitable of characterizations which can describe the decoupling of training, personnel, and weapons development. Besides "ancient" regulatory guidance directing linkage, significant proponents within the developmental structure pointed unequivocally to both its benefits and methodology as early as the mid-sixties. These proponents are still in the system and readily available if we would only capitalize on their thinking:

> "Since system analysis has become a standard technique in research and development, it is now appropriate to determine what role human factors research should play in making this analysis.

"Man's contribution to the performance of the weapon can either enhance or degrade its performance, depending on whether or not his capabilities and/or limitations were appropriately considered in the first place as part of the initial, total system concept...

"There are four areas in which human factors must be considered:

Manpower Requirements

"Proposed system concepts must consider the number of personnel to be used and the skill levels of the personnel required to operate and maintain the system. If special skills are required, it must be determined if there are a sufficient number of such personnel available to the Army.

Training Requirements

"How difficult will it be and how much will it cost to train operating and maintenance personnel for a proposed system?

Performance Requirements

"Can personnel perform, and how effectively can they perform, the duties required to operate a system? The contribution of man to system performance must always be considered in the particular environment in which the system will be utilized. Providing quantitative data with regard to how seriously these environmental aspects affect man's performance comprises part of the contribution which human factors thinking can make to a specific system analysis.

System Design

"Since man is an integral part of the total system, his contributions must be included each and every time that such areas as system performance, system effectiveness, system dependability, system reliability, system capability and cost effectiveness are considered." (US Army Technical Note 6-67, System Analysis: Human Factors Research and Development Contributions. John D. Weisz, July 1967.)

"Manpower, and the integration of all manpower factors into materiel development programs, have recently been highlighted in a Department of Defense study. Additionally, a new Army Regulation lists as one of its main objectives, "to improve control of total life cycle costs of man-materiel systems by assuring consideration, early in the materiel life cycle, of the cost of manpower resources and training for alternative systems."

"This Technical Note then, attempts to establish a general framework around which manpower factors can be effectively introduced into system analyses studies.

"For illustration purposes let's give the total manpower factors component a weighting of 25 percent of a total 100 percent and allocate that 25 percent as follows:

"a. Trainability. Expressed in terms of feasibility, or time and cost of training operators and/or maintenance personnel or of retreading existing

> Army personnel specialties: 5%
>
> "b. Skill Requirements. When considered along with personnel skills available to the Army for the time frame within which the proposed system is to become operational: 5%
>
> "c. Level and complexity of human performance required. In terms of accuracies required to perform critical tasks of system operation, keeping in mind the battlefield environment: 15%
>
> TOTAL 25%
>
> "Following the initial system-concept comparison as described above, it may well be that decisionmakers would want trade-off studies conducted. The human factors team could assist in deriving appropriate trade-off data in various forms: cost, estimated amount of down time, system performance change, and personnel skill-requirements changes.
>
> "The optimum combination is obviously applicable only for the time being and only under the restrictions imposed (cost, available manpower, development time, threat, etc.) As was pointed out in the DOD Manpower Study, we can no longer afford to develop equipment and merely hope that the necessary manpower can be found to man it and/or trained to man it in a relatively short time. Cost of training and, especially, time available for such training on a mass basis may not permit such selection and training under wartime conditions." (Emphasis added) (US Army Technical Note 9-68, System Analysis: Manpower Resources/System Design Integration Methodology. John D. Weisz, August 1968.)

Mr. Weisz was at the time (1967-68) and still is employed at the Army's Human Performance Laboratory at Aberdeen Proving Grounds.

The failure to consider the Human, Manpower, Personnel, Training (HMPT)* issues early and continuously in the weapons development process is not a new problem but it has been exacerbated by our current modernization thrusts. It is now creating the strains and sometimes unrealistic and self-defeating demands now placed upon the Army's personnel acquisition and management structure in order to accommodate our accelerated materiel acquisition program. And while the problem is now recognized and remedies are being fashioned, the rigor and accountability which might have enforced the prescriptions for full consideration of system development of HMPT in the past are still lacking. A larger part of the problem is structural.

With respect to training in consideration of doctrine and strategy.

Theoretically, doctrine and strategy formulation in its embryonic stages is based upon validated threat analysis. That analysis generates broad requirements to meet and defeat that threat. While we might debate the merits of various analytical aspects of our requirements process, it certainly would not in my view be improved by compelling broad HMPT considerations at the earliest stages of doctrine and strategy development. The exceptions, which on the modern battlefield may have swallowed the rule, are those instances in which the survivability and safety of the soldier are of signal concern in the analysis. In any event, based upon the analysis, an array of countermeasures are or should be developed to counter the threat. It is against that array, that training and other HMPT issues must be played as early as possible by the proponent developer. Whether one deems that stage "doctrine or strategy formulation" is unimportant. The issue is whether the justification documents for a new system include the requisite analysis of HMPT characteristics which would enhance or compromise the range of doctrinal or strategic alternatives.

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*As is clear from the 6-67 note, the generally accepted concepts training and personnel take on a much broader meaning when they fall under the total manpower and human factors review which was prescribed by Weisz. Therefore, the entire rubric of human factor issues will simply be referred to as HMPT.

On training considerations in weapon conception, design and acquisition, and calculating trade-offs between system technology and manpower quality to yield a fixed capability.

The most recent Army effort to restore linkage and to integrate human resource considerations into the Army material acquisition process,including concept exploration, is called Manpower and Personnel Integration (MANPRINT). MANPRINT is intended to prescribe the entire process of imposing the full range of human factors engineering, manpower, personnel, training, health hazard assessment, and system safety considerations on the material acquisition process. Measurement of the adequacy of MANPRINT is now included as an integral component of system tests and evaluations. An immediate object of this effort is the development of an Army training program to institutionalize the requisite skills and knowledge in human resource requirements analysis and management during Army systems design and development.

Perhaps the most significant domain covered by MANPRINT concerns the need to calculate the trade-offs between system technology and manpower quality. The Army Materiel Command (AMC) has recently been authorized to place MANPRINT on all developmental systems. Another planning tool used in the development of the Army's training requirements is the qualitative and quantitative personnel requirements of information (QQPRI) process. The QQPRI is prepared by the materiel developer. It addresses the organizational, doctrinal, training, and personnel data developed by the materiel developer, in coordination with the training developer.

The QQPRI is used to determine the need to establish or revise a military occupational specialty (MOS), specialty skill identifier (SSI), or civilian occupational series. It also is used to prepare plans to provide the training and personnel needed to operate, maintain, and support the new or improved materiel system or item of equipment.

It is recognized that MANPRINT must begin with concept exploration because that stage of the process ends with the first milestone decision ratifying the commitment of the Army and the Department of Defense to the acquisition of the system. The ratification of Army's commitment is also sought from the Congress at this stage. Finally, approximately seventy-percent of life cycle costs for the system are determined at "Milestone One." Unless MANPRINT re-establishes and enforces linkage at concept exploration it will fail to properly prepare our training base and our personnel community for the tasks that lay ahead in the eventual fielding of the system. MANPRINT is a sound plan. But if history is any guide, it will not work.

There are many reasons for my skepticism, among them the continued existence of the disincentives to linkage mentioned above, none of which are eliminated by MANPRINT. Instead, MANPRINT seeks to impose discipline on a system which, in its present configuration, rewards, or holds out the hope of rewarding, indiscipline. Excessive bureaucracy is part of the problem. The Army possesses a cadre of imaginative and dedicated people in its design and acquisition community. It also possesses one of the world's largest bureaucracies, inherently stifling the openness and internal debate necessary to make maximum return on our analytical assets. As noted, the US Army Training and Doctrine Command (TRADOC)-AMC MANPRINT plan is sound, even excellent in concept. It provides for competing interest considerations and requisite HMPT trade-offs and appropriate points in the development process. But it nevertheless relegates to secondary status in rank, resources, and reward, the trainers and personnelists, including human research elements, who must raise the periodic red flag if MANPRINT is to succeed. But neither the Army Staff, the Army Secretariat, OSD, nor the Congress have signalled to those potentially brave souls within the TRADOC or AMC bureaucracies that our part of the bureaucracy will reward their willingness to step in front of a moving freight train. In fact, we have signalled just the opposite by our inattention to training, generally, and by our continued ratification and encouragement of previous faulty HMPT analysis. The best example of the latter being the enlisted quality "requirements."

The manpower enlisted quality requirements are currently--and quite properly--under intense scrutiny by the Congress. From the onset of my tenure and before that from the OSD level, there has been internal questioning of the "requirements." Nevertheless, certain views regarding this requirement are taking on the aura of an article of faith which is both dangerous and self-defeating. The prevalent view holds that the Army cannot carry out its mission on the battlefield without a resourced accession policy which constantly generates an entering cohort far above the intellectual average of the young men and women currently graduating from our high schools. This view is dangerous because it tells our training base that we are more interested in buying smart kids than in building good soldiers. It is also self-defeating because the extraordinary resourcing necessary to support an inflated accession quality mix cannot and perhaps should not continue.

In order to validate the prevailing view, with all of its resourcing implications, the system has had to engage in some elaborate analytical machinations. Each of TRADOC's branch proponent schools are reported to have conducted an analysis of its accessions and noncommissioned officers for quality requirements considering trainability, job performance, and future force structure and system changes. Reportedly, the schools then measured the relationship of job performance at the accession and noncommissioned officer skill levels to initial AFQT scores. Finally, it is reported, in all cases these entry level scores predicted job performance.

Realistically, these assertions cannot withstand even cursory scrutiny. The TRADOC school "analyses" were neither objective nor scientific. Most charitably, the analyses sought merely to ratify a manpower quality mix wish list previously determined in a vacuum, in other words a preference. The implications for MANPRINT are significant. If this demonstrably questionable HMPT analyses passes muster, and is capable of transforming a preference into a Congressionally sanctioned requirement, there is little reason to expect credibility from the more esoteric HMPT analysis of MANPRINT.

The Congress can assist the Army in making MANPRINT work, simply and without the micro-management which is so abhorrent. It can do so by insuring that the Army strictly ahere to its own definition of how the system should work. If the Congress provided that total system manpower quality and quantity, and training costs were prerequisite findings for any weapon system* funding beyond concept exploration, MANPRINT could work. Certainly those exceptional people within the Army who have sought for so long to do things efficiently could take heart that their analysis was essential to the principle decision-makers within the Army, to the weapon systems they field, and to those who must ultimately use these weapon systems--our soldiers .

(I will defer the mobilization planning function to the answer to the question on private sector employer relations.)

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*Just as the HMPT analysis potential of MANPRINT could work on weapon systems development, so it could be employed in the analysis of significant force structure initiatives such as the Light Infantry initiative or even the COHORT manning system, which has force structure implications.

DEMAND FOR MANPOWER QUALITY

Question. What, if any, manpower research projects might identify ways to temper the demand for manpower quality against fluctuating demographic, technological, and doctrinal forces?

Mr. Spurlock. The Army has several lines of research directed at this important topic. There is a major research effort in progress to establish the relationship between the Armed Service Vocational Aptitude Battery and actual performance on the job. If successful, this effort will make possible the more accurate identification of those jobs which actually require high aptitude soldiers. There is a danger here. It stems from the possible oversubscription to the view that undeveloped human potential can be so highly quantified by a general testing instrument, such as ASVAB, that we can forget about motivation, maturation, and environment as stimuli to success in the Army. Thus, the success of this effort, like MANPRINT will depend upon whether its results serve to broaden rather than narrow the spectrum of human potential which can be exploited by the individual soldier for him or herself and for the Army. The way to accomplish this, in my view, is for the research effort to be focused on the design and development of performance based measures of requisite potential and aptitude, applicable to a wide array of military occupations. This may also have the salutary effect of bringing some order to the Skill Qualification Test (SQT) process which is supposed to measure actual performance on the job. A third research thrust is in the areas of training and job aiding. The Army is exploring ways to exploit modern electronics technology to simplify the soldier's job. The approach is to shift the burden "from the head to the hardware" by reducing the number of steps in a task and by providing other simplifying procedures that reduce the aptitude and skill levels needed. We are also exploring techniques for embedding a training capability into the weapon system so that the soldier can train as he will fight.

Finally, there is a significant research effort, in the Job Skills Education Program which seeks to transform the existent Basic Skills Education Program into one more directly related to the specific competencies required of our soldiers. This effort is nearing completion and is currently entering a testing phase.

The most important feature of each of these efforts is its byproduct in the form of the raw data of MOS or job analysis. In order to accomplish each of the research goals, noted above, the individual jobs of our soldiers must be dissected and analyzed in order to determine the requisite competencies required to perform each component part and each unified function. The relative importance of the data are based upon the fact that the jobs performed by our soldiers over the rest of the decade can provide valuable skills to industry for the rest of the century. Thus, our trained soldiers are potentially as valuable to the private sector as they are to us. The Army can view this inevitable result of modernization either a threat to its career force or an opportunity to strengthen and ultimately realize the "Total Army" policy. I would choose the latter course.

PRIVATE SECTOR EMPLOYER RELATIONS

Question. What are your thoughts on improving private sector employer relations, to the benefit of the reserve components, by demonstrating the appreciation in human capital that attends military skills training?

Mr. Spurlock.

> "Despite their negative accounting cost and theoretically incurred debt of wastage of more than a trillion dollars, World Wars I and II and subsequent cold warring have rendered the United States evermore vastly wealthy,. . . Why? . . . The harnessed energy, production, distribution, communication tools, and techno-scientific literacy thus inadvertently established--all of which can produce peace-supporting prosperity--is the wealth." (R. Buckminster Fuller, Utopia or Oblivion: The Prospects for Humanity, 1969, page 7.

The wealth that Fuller identified is being created now in the Army. Its most obvious examples reside in the realized and potential technology transfer of our weaponry and its support systems to the private sector. The most ignored components of that wealth are the Army's emerging technologies in the measurement, development and distribution of our human capital. We cannot continue to ignore that source of strength. To continue to do so will mean that the Army will not be able to fully exploit its weaponry. Only to the extent that the Army maximizes the distribution of its human technologies, including its human products, to the larger society will it be able to realize the full benefit of its modernization effort.

The Army now has within its grasp all of those tools necessary to actively pursue that distribution. Among them are: The Army Research Institute, perhaps the largest human research establishment in the free world and a national, not simply an Army, asset; the network, euphemistically called the military industrial complex; but most importantly, the people of the Army past and present, who support a free enterprise system which must be robust enough to maintain a standard of living we expect and a national defense posture we need. The Army can enlist these tools now to support an essential ingredient of our strength, the Total Army policy; i.e., the unity of the Active Component, US Army Reserve, and Army National Guard.

The Total Army in many ways is becoming a reality, and more quickly than many felt possible. There has been a dramatic shift of missions to our reserve forces. They are being provided greater materiel resourcing, greater training enhancements, including simulation devices, and greater reserve end strength. But the fact remains that our reserves as a whole will have enormous difficulty maintaining that level of readiness required to meet their mobilization requirements. Full-time manning will help, but only to a degree. So would greater drill time, if it could be squeezed from reluctant employers. True, part of the problem lies in the fact that the job is inevitably more complicated on a modern battlefield. But, the other part is that the functions to be performed in the Army, in peace and war, are evolving at an extraordinary pace. Indeed, the "fog of war" may well be said to have a peacetime father, "the fog of modernization." Thus, even the most proficient of soldiers, who completes his or her first term and leaves the Army and goes to college, may have knowledge about an old MOS which is almost obsolete by the time he or she graduates and wants to join the reserves. Knowledge obsolescence would be slower but, perhaps no less inevitable, even if there were an immediate transition to the reserves.

In my view, the key to Total Army manpower success, which will be the key to the success of the Total Army concept, is to capture for our Reserve Components as much of the human potential, in the form of specific competencies, as was developed in the active force. And then to further nuture and enhance it in the reserves. The job is not as difficult as it sounds, if we have the will to do it. But, we cannot accomplish this without significant private sector involvement in the effort.

As noted, the Army has a great deal that private industry wants in the way of skilled, imaginative, disciplined manpower. That this is true of our young enlisted personnel as well as our senior officers should be obvious. But it is not obvious to any but those elements of the private sector which are heavily involved in defense production. The Army has the capacity to fill this void in our understanding by identifying the intrinsic value of what we are training our young people to do and by advertising the direct transferability of these learned skills to the private sector. And the Army can reinforce this image by actually facilitating that transferability to the benefit of the Total Army.

The central ingredient to all of this is the identification of intrinsic value of our training to the larger society. The first step in that identification is well underway in the various forms of jobs analysis mentioned above. The next step would be to equate the specific competencies we in the Army train, to the specific competencies the private sector needs now and in the future. The greater the specificity of identification at each end of the spectrum, the greater the value of our soldier to the potential employer. The greater the value of our soldier to the employer the more readily the employer will be willing to release our soldiers for the increasing demands of reserve duty, particularly if that reserve duty specifically enhances and reinforces the specific competencies of the reservist on the job. And it is at this point that the interest of the Army and that of the private employer coincide. Because, if the Army can place attriting active duty soldiers in reserve positions whose job and Reserve MOS functions coincide with the technological competencies developed on active duty, the value of that active duty training will not be lost. Indeed it is likely to be naturally enhanced by the stimulus of continuous reserve/private sector interaction.

The technology and management techniques are now emerging in the Army to manage the skill or workplace match of active duty competency/private sector employment/reserve duty enhancement. In fact, I believe that within 3 years, the Army could utilize its JOIN recruiting module to tell a young man or woman interested in the Army what he or she would have the option to be trained for in the active Army; what companies would be actively interested in buying those skills 2 or 3 or 4 years hence; in what part of the country; and in which reserve units he or she could continue to serve the Army. And within 6 years it might even be possible to create a labor market climate in which it is recognized by young people that the primary means to gain advance entry into some technologically based fields in the private sector is through service in the Army.

There is enormous potential here for measurably increasing reserve readiness and mobilization, while at the same time, actually reducing the normal costs associated with such increases. There is as great a potential for reducing our recruiting and other costs. But equally important, there is a chance to integrate the Army more fully into the private sector and it into the Army in a synecological manner which truly leads to better understanding of and greater support for what we do.

Thank you for the opportunity to respond to your questions.

FAMILY SUPPORT/SERVICE CENTERS

Background:

Each of the services has Family Support/Service Centers located at various (but not all) bases. The purpose of the centers is to provide support to families and to ease the strains of military life --particularly for those who are new to a geographic location or new to the service. Some of the programs and services the centers typically provide are:

- o Relocation and emergency assistance;
- o Employment education and job information;
- o Family development counseling and education;
- o Financial management education.

Question: I believe that family satisfaction has a tremendous impact on the individual service member's decision to remain on active duty. I am pleased to see the emphasis the services are placing on Family Support/Service Centers. The Family Support/Service Center seems like an effective way to improve retention.

- o By service, what is the total dollar request for Family Support/Service Centers? Does most of your request fall under Military Construction?

Answer: The Navy Family Support Program oversees the establishment and operation of Family Service Centers at 69 selected Navy locations. The headquarters dollar request for FY86 is $329 thousand. Each FSC's operating budget is included in the total O&M funding for the host installation. Funding for individual FSCs varies according to many factors, including: location (e.g., remote/overseas); active duty, spouse and dependent population served; and availability of other military and civilian resources.

Two Family Service Centers require Military Construction funds in FY 1986. One of these, the FSC at Naval Submarine Base, Kings Bay, Georgia, will be included in the planned Consolidated Personnel Support Center at that installation. The Consolidated Personnel Support Center will include several family related services such as Family Housing, Personal Property, and Legal Services. Military Construction, Reserve funds in the amount of $370 thousand are requested for the FSC at Naval Support Activity, New Orleans. The majority (thirty-three) of our Military Construction requests for FSCs are completed or are under construction.

Question: Would it be possible to use existing facilities to house the Centers in some cases and, thereby, save construction dollars?

Answer: In the past Navy has, at several bases, been able to use or modify existing facilities to accommodate FSCs. The intent of the FSC program is to provide a centralized location for Navy members and their families to receive needed programs and services. Thus, a single facility is required. Every Family Service Center construction request must be certified as absolutely necessary by the base Commanding Officer prior to submission of the project. Before requesting new construction, every effort is made to identify and use existing facilities.

Question: Do you have survey or utilization data to demonstrate the satisfaction of military families with the program?

Answer: Navy members and their families make extensive use of our on-line Family Service Centers (FSC). This is detailed by the following statistics, collected from 35 operational centers during the period 1 June 1983 - 30 July 1984.

Total number of people having contact with Family Service Centers:	727,255
Information and referral inquiries:	96,356
Telephone and letter contacts:	312,175
Presentations and briefs given:	8,943
Number of attendees:	192,928
Welcome aboard packets distributed:	99,067
Assessment counseling and support:	14,549
Volunteer hours at FSCs:	57,156
Overseas Duty Support to members/families overseas:	80,000

To evaluate FSC customer satisfaction, Navy sponsored an evaluation of Family Service Centers by an independent contractor in 1982. Four sites were evaluated (Naval Base Charleston, Naval Air Station Jacksonville, Naval Support Activity Naples, Naval Station San Diego), to provide a cross-section of all warfare communities, and overseas and Continental U.S. locations. The evaluation centered on determining the impact and benefit of the FSCs, and assessing the potential aggregated benefits of the program.

In 191 interviews, the contractor surveyed Navy commands (Commanding Officers, Executive Officers and Command Master Chiefs), clients, civilian and military service providers, and FSC staffs.

- Eighty-two percent of clients interviewed had referred others to the FSC.
- Over two-thirds of the clients were more positive toward Navy.
- Ninety-eight percent of command personnel were satisfied with the FSC.
- Ninety-five percent of command personnel perceived a positive impact of the FSC.
- Due to FSCs, Navy commands cited reduced workloads for command personnel, improved worker productivity and reduction in emergency leaves during deployments.

The study concluded that the Family Service Center stands as a major symbol of the Navy's concern and support for Navy members and their families.

In addition, Navy has conducted an informal survey of seven Family Service Centers (FSC) to obtain examples of their impact on fleet retention. Results were impressive: 39 personnel (31 enlisted, 8 officer) were identified as documented cases wherein the servicemember reversed an earlier decision to leave the Navy, due to specific assistance from an FSC. Although there are many Navy programs designed to influence retention, these servicemembers perceive, in effect, that the FSC retained them - and that is the message they will pass on to their peers, seniors and subordinates. If the Navy had to replace these particular 39 servicemembers, the cost would be approximately $7 million.

Question: When do you expect to cover all installations with some sort of Family Support/Service Center?

Answer: Navy's 69 planned or established FSCs will provide programs and services to over 85% of our active duty population and their families. At this time Navy is developing plans to provide family support services for Navy members and their families located at small installations or who are on independent duty (eg recruiting and ROTC instructors) by the close of FY 1987.

Included in these plans are: "mini FSCs," satellite programs from existing FSCs, travelling resource teams, hot lines, mail outreach, etc.

We are committed to ensuring that all Navy families have access to needed support services.

HOUSEHOLD GOODS WEIGHT ALLOWANCES

QUESTION: Why are the household goods weight allowances based solely on grade? Has the Department of Defense given any thought to restructuring the system in order to consider the existence of dependents as well as the member's grade in establishing weight allowances?

Admiral Lawrence: The weight allowances were apparently set solely on grade to conform, in general, with many of the other forms of compensation that vary with grade. The allowances were intended to cover service members with dependents while still allowing the single service member the option of acquiring household goods up to the level of his or her counterpart with dependents. In this manner there was no "reward" for having dependents nor any "penalty" for not having dependents. The budgeting techniques used in establishing PCS costs incorporate the variety of household goods weights shipped by members with and without dependents.

It is acknowledged that as the size of a family increases there is a tendency to acquire more household goods. The increased weight allowances requested to be funded in the FY-86 budget will adequately provide for the overwhelming majority of service members and their families. Creating a household goods weight allowance structure that varies with the number of dependents would serve to "reward" a service member for acquiring more dependents.

MANAGEMENT OF CIVILIAN PERSONNEL WITHOUT END-STRENGTH CONSTRAINTS

QUESTION: What is your analysis of the removal of civilian personnel end-strength constraints during fiscal year 1985. What initiatives have you planned to ensure careful stewardship of civilian personnel resources should Congress agree to continued management by dollars and workload?

VADM Lawrence: Controlling civilian employment as a function of the level of funded program is the most basic, and most flexible way for Navy managers to balance approved workload and the required work force. The manpower estimates in our budget carefully match manpower levels to the level of funded program and associated workload. Our guidance to Navy executing commands emphasized efficient and economical use of manpower and fiscal resources in executing the FY 1985 programs authorized and appropriated by Congress.

The Department has demonstrated the benefits of the civilian ceiling waiver which prevailed in industrial fund activities in FY

1983 and FY 1984. That exemption gave industrial fund activities more flexibility in transitioning from end year to execution year first quarter workload assignments. The ceiling waiver also permitted industrial fund activities to respond to unexpected workload changes, and permitted investments in employee training with long term payoffs, which were not previously possible. In addition, the ceiling exemption improved recruitment by allowing installations to offer permanent jobs prior to the commencement of the new fiscal year.

I believe that managing civilian resources through available funding as an adjunct of funded program levels is the most reasonable and responsible way for Navy managers to control civilian employment. Our manpower estimates in the budget carefully match manpower levels to the level of funded program and associated workload and our future guidance to Navy executing commands will continue to emphasize efficient and economical use of manpower and fiscal resources.

ACTIVE DUTY DEPENDENT DENTAL CARE PLAN

(UNCLASSIFIED)

Question. You have indicated that you feel a dependent dental CHAMPUS program is one of the highest priority family issues. Unfortunately, with the anticipated constraints on military spending this year, it will be difficult to identify $105 million for the modest dependent dental care program proposed by the Department of Defense unless some offsetting cut can be made elsewhere in the medical budget. To find such funds in the CHAMPUS program itself would require very large increases in the deductibles and copayments or reductions in covered services.

The Congressional Budget Office in its paper entitled "Reducing the Deficit: Spending and Revenue Options" proposed a user fee of $5 (enlisted) to $10 (officers) for outpatient care at military medical facilities. Realizing that you would strongly oppose such a fee in isolation, what would your reaction be if it were tied to dependent dental care plan, particularly if there were a $100 annual limit on out-of-pocket expenses for enlisted families and a $200 annual limit for officer families, as proposed by CBO?

Admiral Lawrence. I would not support a user fee to finance the dental care program. My primary concern is the impact on junior enlisted families. Many families will defer treatment to save money. That will ultimately have a negative impact on the level of health of our people and may lead to more expensive inpatient care if health problems are neglected. I am also concerned about the overall effect such a fee would have on recruiting and retention. Any reduction or perception of reduction of entitlement to the Military Health Services System erodes the Navy's position in competing with the civilian sector for the highest quality individuals. It also adds to the perception of career Service members that an erosion of benefits is occurring. Faced with making a career decision, Service members compare Navy benefits against those offered by other employers. A negative impact on retention will be felt at every rank.

Question. Do you have any other suggestions of ways to pay for a dependent dental care plan?

(UNCLASSIFIED)

Admiral Lawrence. The draft legislative proposal that includes the dental benefit program for active duty dependents is designed so that the cost of the dental benefit enhancement is offset by administrative cost-savings provisions. These include recoupment from private insurance companies for care provided to insured non-active duty beneficiaries in military treatment facilities and a CHAMPUS-MEDICARE participation link. The average annual savings from these provisions would more than pay for the dental benefit program. This legislative proposal is in coordination within the Department of Defense.

MANAGEMENT INITIATIVES TO REDUCE END STRENGTH GROWTH

QUESTION: It is interesting to note that the Army is creating two new active duty divisions and increasing its combat power within existing end strength. Given the budgetary outlook over the next few years, there may well be a lesson here for the other services. Have you looked at the management initiatives taken by the Army to achieve this goal? What actions have you taken to get the maximum benefit from existing manpower resources as new weapon systems come on line?

Admiral Lawrence: We have looked at the Army initiatives but consider Navy's manpower requirements significantly different. Navy's ships have peacetime forward deployed missions and therefore must be manned appropriately to fulfill our role in support of overall national strategy. We must continue to man our ships and squadrons close to wartime requirements to ensure adequate levels of combat readiness. Our strength plans provide the minimum required manning to meet national security requirements. Our plans for a 600 ship Navy call for an increase in ship battle forces of 26 percent over the 1980 levels while our active end strength is programmed to increase only 19 percent during the same period. Within the context of Navy total force we have continued efforts undertaken last year to determine changes in total force composition by ascertaining whether the Naval Reserve and/or civilian manpower can shoulder a larger share of naval operations in peacetime(thus relieving pressure for growth of active duty end strength). Navy has increased the Reserve mix including increased participation in aviation, surface combatant, mine countermeasure, and fleet support forces. In addition to changing the Active/Reserve manpower mix, continuing efforts are underway within the Navy to reduce the overall level of active military manpower requirements through civilianization of selected billets in shore-intensive ratings. This review is producing significant savings in terms of active duty military manpower which in turn can be used to fill critical operational billets. As an example, subsequent to the submission of the FY 1985 budget, Navy undertook an ambitious program to identify numerous functions for civilianization, contracting out, or transfer to the Reserves. The net result of these actions is that our current FY 1986 budget request is 9,300 below the level estimated in the FY 1985 budget.

NUCLEAR OFFICER INCENTIVE PAY (NOIP)

QUESTION: Admiral Lawrence, the chart on page 19 of your testimony indicates that the goal for nuclear submarine officer retention decreases from fiscal year 1984 to fiscal year 1985 while the percent of officers retained is expected to increase over the same time frame. These figures would seem to demonstrate that the Navy is retaining more nuclear submarine officers without providing the additional incentive of improved nuclear officer incentive pay (NOIP). How do you reconcile these statistics with your request for increases in NOIP for nuclear submarine officers?

Admiral Lawrence: Meeting our nuclear submarine officer retention goals is essential in ensuring that we will have adequate numbers of qualified officers to fill the department head billets in our submarines. Retention now has leveled off with 48% projected for FY85, well short of the established goal of 55%.

It is important to understand that the retention goal for a specific fiscal year is a function of the number of officers accessed into the nuclear submarine program several years before and department head requirements several years in the future. Because accessions achieved have been insufficient and inconsistent from year to year, retention goals also demonstrate some fluctuation. Not meeting a year's retention goal exacerbates the present and future nuclear officer shortage problems. However the nuclear officer problem is not merely one of insufficient retention of junior officers. Rather, the problem involves an existing shortage of experienced officers, a projected growth of that experienced officer shortage, and an apparent reversal of the junior officer recovery that began in 1981.

Our efforts to grow required inventories of experienced ship Department Heads, Executive Officers, Commanding Officers, and Post-Command Officers must start with junior officer accessions and retention. The officers who begin nuclear training in 1985 will be our experienced ship Department Heads in 1992 and will be our Commanding Officers in the year 2000. Accessions and required retention are linked. Accession goals are based on filling future at-sea Department Head billets assuming average historic retention rates. When actual accessions fall short of this goal, a higher percentage of the reduced year group must be retained. When the higher retention requirement is not achieved, sea tours are extended and officers are assigned back-to-back sea tours to keep our ships fully manned. The result, of course, is additional officer resignations. Nuclear Officer Incentive Pay (NOIP) has proven its ability to increase both accessions and junior officer retention. Most recently, after NOIP was increased in January 1981, nuclear officer accessions rose dramatically from 79 percent (602 of 758) in 1980 to peak of 96 percent (791 of 821) in 1983. Similarly, junior officer retention rose from 33 percent in 1981 to 47 percent in 1984. It is instructive to note, that if we had achieved the required accession goals in 1976 and 1977, the actual retention rates in 1983 and 1984 for these year groups would have provided the necessary experienced nuclear trained officers. Regrettably, the effectiveness of nuclear officer incentive pay has again eroded since 1981. Since the end of FY-81, while NOIP has remained constant, military base pay has been raised 28.6 percent and the Employment Cost Index for Professional and Technical Workers has increased 34.9 percent.

Consequently, accessions declined to 92 percent (761 of 830) in 1984 and even further to an estimated 83 percent (661 of 805) in 1985. At the same time, retention rates have leveled off. However, officer retention rates are not measured until two years after a year group becomes eligible to resign. A more timely indicator of present resignation trends is the number of resignations received in a year compared to community size. This data shows that resignations in 1984 have returned to 1981 levels. Resignations to date in 1985 are running above 1984 levels. The junior officer recovery problem is due to the lack of a built-in flexibility in NOIP to allow minor adjustments to the rate of recovery when necessary and to maintain equivalent incentive values to sustain the recovery in an inflationary economy. We must act now to restore the incentive value of NOIP to prevent aborting the current recovery before our objectives are achieved. Without a comprehensive long term plan we cannot hope to provide the community stability necessary to grow sufficient inventories of experienced officers for the next two decades.

Our most serious and immediate problem, however, is the existing large shortage of experienced (Lieutenant Commander through Captain) nuclear trained officers. This shortage, which is projected to grow from 18 percent in FY-1984 to 22 percent in FY-1987, is the result of inadequate accessions and retention of the previous decade. Until we can grow a new inventory of experienced officers, we must keep the maximum possible number of officers in the depleted senior year groups. To accomplish this objective it is necessary to restructure NOIP to better target this group.

The reasons we have had difficulties in achieving nuclear officer inventories are complex. In considering the worth of new approaches it is necessary to understand what we ask of these officers and why we ask it. Briefly, the nuclear powered submarine is an evolutionary step in naval warfare. Our attack and fleet ballistic missile submarines have made an immense contribution to the preservation of world peace for more than two decades. This contribution would not have been possible without the ability to operate submerged and undetected for sustained periods; a capability which has been made possible by nuclear propulsion. Our use of nuclear propulsion mandates a public trust to safely operate and maintain our reactor plants. This public trust can only be sustained by an exceptional level of dedication by all personnel assigned to duty involving the supervision, operation and maintenance of nuclear propulsion plants. It involves constant attention to every detail, repetitious training to safely conduct complex evolutions and to immediately respond to every conceivable abnormality, and a system of rigorous monitoring and intense inspections. The resulting impact on our personnel is hard work and long work days. Working evenings and weekends is routine. Add to this the long periods of family separation inherent in sea duty and it is not surprising that our nuclear trained personnel perceive that they work harder than their peers in any other profession. The experience that our nuclear trained officers have gained in safely maintaining nuclear propulsion plants and in operating and fighting the nation's front line ships is irreplaceable. The cost of this experience cannot be quantified. There is simply no external market from which men of the requisite experience level can be purchased. If the individual perceives that his compensation is inadequate to overcome the additional working hours and intense stress, we will simply lose him to civilian employers eager to hire our experienced Navy engineers and managers. The additional pay which we give these dedicated men is well worth the investment.

In summary, our proposal to enhance NOIP is specifically designed to provide a lasting solution to the nuclear officer inventory problem. This is accomplished by restoring incentive values to 1981 levels, restructuring to better target our experienced officers, and providing sufficient flexibility to rapidly respond as necessary to adjust and sustain the recovery. In short, it will provide us with the tools to manage the problem. We are confident that these changes will provide the stability necessary to recover from the large inventory shortage and to grow the necessary inventories for future decades.

WOMEN ON MOBILE LOGISTICAL SUPPORT SHIPS

Question: Wouldn't using women on Mobile Logistical Support Force (MLSF) Ships ease the pressure on sea-to-shore rotation? Although the Navy cites the combat exclusion, it is my understanding that the Navy did not initially consider these ships as combatants after the law with respect to the assignment of women on ships was modified in the late 1970's.

As it becomes more difficult to attract and retain a sufficient number of high quality young men to man the fleet, does the Navy plan to reconsider its current posture?

Admiral Lawrence: The addition of sea duty billets from the Mobile Logistics Support Force (MLSF) ships for the assignment of women would ease the pressure on sea/shore rotation for men, especially in the sea-intensive ratings. This would occur because current women's inventory is sized to not impact on male sea/shore rotation. Therefore, any increase in sea duty assignment opportunity for women would improve male rotation by sharing in the sea duty burden.

The Navy interpretation of the law regarding the ships eligible for the permanent assignment of women is based on the longstanding definition of "combat mission." The Navy specifically listed those ships which did not meet this definition in the Senate Armed Services Committee report on the proposed amendment of 10 USC 6015 which was subsequently enacted into law. Mobile Logistic Support Force (MLSF) ships are classified into two categories: Material Support and Underway Replenishment. The Navy currently has women permanently assigned to the Material Support category of MLSF type ships which includes Destroyer Tenders (AD), Submarine Tenders (AS) and Repair ships (AR). The second category of MLSF ships include the Underway Replenishment ships such as Ammunition ships (AE), Combat Stores ships (AFS), Oilers (AO), Fast Combat Support ships (AOE) and Replenishment ships (AOR).

This second category of ships, whose mission is to operate in direct support of and as part of a battle group, is proscribed under the definition of combat mission. It would only be appropriate for Navy to reconsider its current posture relating to the assignment of women, if Congress determines women should be assigned to combat.

SPACE AVAILABLE DEPENDENT DENTAL CARE

(UNCLASSIFIED)

Question. Last year Congress expanded the authority for military dental facilities to provide care to the dependents of active duty personnel on a space available basis by removing the restriction that, within the United States, such care could be provided only in underserved areas. Recognizing that there will be only limited care available on a space available basis, I am still puzzled by the Navy's opposition to authorizing this expanded benefit for the families of active duty service members. Do you believe that retirees should have preference over active duty dependents for space available dental care?

Admiral Lawrence. Navy concern with the change in authority was that it would displace our retired members from an existing and long-standing benefit without substantially benefiting our dependents. At this point, with a dental insurance program under serious consideration, I believe that it is best to maintain the same priority for dental care that we have applied over the years for medical care.

Question. What management initiatives is the Navy taking to maximize the care available?

(UNCLASSIFIED)

Admiral Lawrence. The Secretary of the Navy has directed a comprehensive, internal study of Navy dental care with regard to our future capability to provide top-quality care to all beneficiaries. The objective of this review is to determine ways we can increase productivity of our dental health care delivery system. Management is evaluating the use of evening hours, flexible scheduling, and automated information/reporting procedures as possible initiatives to expand our space available capabilities. In addition, Navy dental treatment facilities in the continental United States and Hawaii have all developed local plans for implementation of the dependent space available authorization that will enable them to maximize available care.

CARRIER BATTLE GROUPS

[redacted]

Question: In its paper entitled "Reducing the Deficit: Spending and Revenue Options," the Congressional Budget Office proposed that the Navy place three carrier battle groups in the reserves over a three-year period, beginning in fiscal year 1986. Were this option to be implemented, CBO projected cumulative savings of almost a billion dollars by fiscal year 1990. According to CBO calculations, based on ship manning levels for these carrier battle groups, approximately half of the savings would result from reductions in the active duty end strength required to man these battle groups at full operating tempo. No savings were projected for the air wings to ensure the continuation of peacetime training at a pace sufficient to maintain flying skills.

Recognizing that this would represent a significant change in current national policy, I wonder what attention the Navy has given to this proposal. As the budget crunch tightens, we may no longer be able to afford business as usual.

Admiral Lawrence: A 600-ship Navy based on 15 active carrier battle groups is the minimum force level necessary to carry out our peacetime commitments, maintain a strong deterrent posture and, if necessary, carry out our warfighting tasks with prudent risk. Because of the emergence of a global, blue-water Soviet maritime threat, the number of carrier battle groups necessary to avoid turning any of our vital maritime areas over to Soviet control is calculated on a number of factors: the advantages of geography that exist, the substantial contributions that US Air Force and allied navy and marine forces can add, and the strike capability that only US battle groups can provide.

The 15 CVBGs required to fulfill our commitments must all be active and fully deployable in peacetime. This will allow us to maintain proper carrier materiel quality by having one CV in the Service Life Extension Program (SLEP) and 2 CVs in overhaul at

General Maloney: In fiscal year 1985, we plan to spend $2.6 million for operation and administration of the Family Service Centers and the Family Advocacy Program. None of this money involves military construction.

UNCLASSIFIED

Question: Would it be possible to use existing facilities to house the Centers in some cases and, thereby, save construction dollars?

General Maloney: Yes, our plan is to primarily renovate existing buildings to provide space for new family service center requirements. Marine Corps Air Station, Yuma will be the first center to be constructed specifically to support this program in the Marine Corps.

UNCLASSIFIED

Question: Do you have survey or utilization data to demonstrate the satisfaction of military families with the program?

General Maloney: Individual centers have conducted member and family surveys. These surveys are used to modify programs and address other identified needs. We feel that the increasing number of clients we serve each year is indicative of how the family service centers are viewed by our families. There have also been informal surveys of commanders regarding their feelings about the level of services offered by the family service centers, with very favorable responses. We plan to use the results of the on-going DoD Survey of enlisted and officer personnel and spouses to document the general level of satisfaction with our programs, and, as other users of the results, will modify our programs to best meet the needs of the population we serve.

UNCLASSIFIED

Question: When do you expect to cover all installations with some sort of Family Support/Service Center?

General Maloney: We have 18 centers operational now. An additional center will open in October 1985 at Marine Corps Finance Center, Kansas City. These centers directly support more than 85 percent of our dependent populations. Moreover, through the use of our two regional service centers, which operate toll free telephone lines, we give access to services (information and referral) to all our Marines and dependents who may be located at independent duty stations in the United States. An additional center will open at Marine Corps Air Station, Yuma in 1991.

HOUSEHOLD GOODS WEIGHT ALLOWANCES

UNCLASSIFIED

Question: Why are the household goods weight allowances based solely on grade?

General Maloney: The household goods weight allowances are based solely on grade in response to Title 37, U.S. Code, Section 406(b) and (c) which implies right of transportation of household goods, in connection with a temporary or permanent change of station accrues to the member only.

UNCLASSIFIED

Question: Has the Department of Defense given any thought to restructuring the system in order to consider the existence of dependents as well as the member's grade in establishing weight allowances?

General Maloney: This issue is not service unique, but common to all. As far as I know, the Department of Defense is not considering restructuring the system.

MANAGEMENT OF CIVILIAN PERSONNEL WITHOUT END STRENGTH CONSTRAINTS

Question: What is your analysis of the removal of civilian personnel end strength constraints during fiscal year 1985? What any one time, while supporting a turnaround cycle of 2.0 for peacetime deployments (12 months operating out of homeport for every 6 months forward deployed).

Classified by
CNO (OP-60)
Declassify OADR

The 12 active CV/3 inactive reserve CV force level proposed by the Congressional Budget Office would leave critical holes. The following illustrative carrier employment option demonstrates that at least 15 active, ready CVBGs are necessary to meet minimum level of capability necessary to support strategic force employment necessary [deleted]

AREA	BATTLE GROUPS
[deleted]	

[redacted]

This minimum force level has been derived from the recommendations of the fleet commanders-in-chief, campaign analysis, war gaming, and studies. The minimum force level of 15 carrier battle groups is viable within the constraints of "prudent risk" and affordability. The threat is real. We must have the capability to counter the threat.

EFFECT OF END STRENGTH CONSTRAINTS ON CAREER FORCE MANAGEMENT

QUESTION: Admiral Lawrence, in your statement (page 8) you indicated that the Navy over the past few years has opted to maximize retention opportunities. You indicated that strength cuts, therefore, have resulted in a reduced number of new accessions, which means you have fewer first-term personnel. Because these first-term personnel are the petty officers of the future, you indicate concern that there will be a shortfall of petty officers a few years hence unless Congress approves substantial increases in end strength.

If end strength remains constrained over the next few years due to budget pressures -- a very real possibility -- what management actions does the Navy plan to ensure that there will be adequate new accessions to grow a balanced number of petty officers in the future?

Admiral Lawrence: If end strength growth constraints are imposed on Navy over the next few years, Navy must reevaluate strength profiles in each rating and paygrade to consider what changes are required in career force management policies to build and sustain the 600 ship force structure. In dampening readiness impacts, caused by end strength constraints, Navy would necessarily build, on a percentage basis, a more experienced and technically trained careerist profile. Realization of this profile would only be through increased retention efforts. Competitive compensation initiatives, like SRB and comparability pay increases, along with other retention oriented programs, are necessary. To achieve the technical expertise required in this profile, Navy would realign the initial skill and advanced training programs to provide more technical oriented training. This richer paygrade mix of personnel, who possess the required experience and skills, would compensate for a major portion of the personnel related readiness decline expected with constrained end strengths. Additionally, reductions in Navy's accession requirement would be achievable, over the long term, due to increased service obligations for greater technical training received and high retention experience. Maintenance of a richer career force structure will increase the cost per manyear and is completely dependent on increases in compensation and tech-

nical training programs. Achievement of a smaller more experienced force structure, requires a firm and long-term Navy and Congressional commitment, to this personnel management philosophy; in order to build and sustain the manpower necessary for the 600 ships.

IMPROVED INFORMATION ON HOW TO USE MEDICAL CARE SYSTEM

Question for service manpower chiefs: Dealing with the medical care system can be a frustrating experience for many military families due, in part, to confusion about when military medical facilities must be used and to the complexities of the CHAMPUS program.

Realizing that the individual hospital health benefits advisers do yeoman service in trying to assist, I wonder if there is not a role for the family service centers to get more into this process and act as an initial point of contact and clearinghouse for basic medical system information. Given the young age of many spouses (under age 20), wouldn't this be a far less threatening environment to many of them?

In addition to the basic orientation to military life film that the Army is using at identification card issuance centers for this population group now, have you considered an information program more specifically targeted to using the medical care system?

Answer: Family Service Centers (FSC) can and do provide basic medical system information to all Navy members and their families in a warm and caring environment. Internal Navy directives stipulate that a primary function of FSCs is to provide information and effective referral for services and resources available in the military and civilian communities for single and married servicemembers and their families. FSCs have available information on health care resources, personal and family and marital counseling, relocation assistance, housing referrals, child care resources, legal assistance, financial counseling and assistance, employment assistance, education resources, religious services and pastoral counseling, recreational services, consumer services and other personal and family support services.

Each Navy medical facility has a health benefits advisor (HBA) whose job is to help beneficiaries use their health benefits through uniformed service hospitals and clinics and through CHAMPUS. The CHAMPUS HANDBOOK, which is available in Navy clinics and hospitals, contains guidelines for use of the program as well as telephone numbers for HBA's listed by state and city.

Many Navy facilities have in their lobbies or waiting rooms videotapes which discuss health benefits. Some commands have installed telephone tapes which offer information and points of contact for specific questions. The Navy Times and all Naval Medical Command publications regularly carry information designed to facilitate access to the uniformed health care system. In all Navy health care facilities, the beneficiary will find patient contact representatives who are there to address questions or problems encountered within the facility.

With a minimum of effort, Navy beneficiaries should be able to obtain information which will facilitate access to this important benefit.

FAMILY SUPPORT/SERVICE CENTERS

Question: By service, what is the total dollar request for Family Support/Service Centers? Does most of your request fall under Military Construction?

UNCLASSIFIED

initiatives have you planned to ensure careful stewardship of civilian personnel resources should Congress agree to continued management by dollars and workload?

General Maloney: Removal of the civilian personnel end strength constraints for fiscal year 1985 provides an opportunity for us to demonstrate effective, responsive, and creative management, along with a responsibility to apply additional emphasis to our plan for civilian manpower management. This plan includes: projection of manpower needs, concept of employment of assets, and a mechanism for monitoring/disciplining the plan.

To accomplish the plan, we have initiated a program to monitor field activities' management of civilian personnel. Under this program, field activities provide a comparison of each month's actual on-board strength with the strength that they had previously projected for that month. Although not automatically curtailed from deviating from their original projection, they must provide full programmatic and fiscal impacts of any such deviations. These reports and the resulting documentation have become an incisive, current management tool for us.

We believe that removal of the end-year on-board constraints should be extended at least through fiscal year 1986 to give us the flexibility to pursue creative management and evaluation of our civilian manpower programs. Such an extension would be both enlightening and beneficial to the Marine Corps.

ACTIVE DUTY DEPENDENT DENTAL CARE PLAN

UNCLASSIFIED

Question: You have indicated that you feel a dependent dental CHAMPUS program is one of the highest priority family issues. Unfortunately, with the anticipated constraints on military spending this year, it will be difficult to identify $105 million for the modest dependent dental care program proposed by the Department of Defense unless some offsetting cut can be made elsewhere in the medical budget. To find such funds in the CHAMPUS program itself would require very large increases in the deductibles and copayments or reductions in covered services.

The Congressional Budget Office in its paper entitled "Reducing the Deficit: Spending and Revenue Options" proposed a user fee of $5 (enlisted) to $10 (officers) for outpatient care at military medical facilities. Realizing that you would strongly oppose such a fee in isolation, what would your reaction be if it were tied to a dependent dental care plan, particularly if there were a $100 annual limit on out-of-pocket expenses for enlisted families and a $200 annual limit for officer families, as proposed by CBO.

Do you have any other suggestions of ways to pay for a dependent dental care plan?

General Maloney: The Marine Corps continues to strongly oppose a user fee of any type for outpatient care at Military Treatment Facilities (MTF's). Individual and family health care is one of the most important benefits in the military today. With rising medical costs, the health care benefit is a significant factor in attracting individuals to enter military service and a major factor in their decision to remain. A user fee would be perceived as an erosion of that benefit and could be expected to adversely affect future accessions and reenlistments. Even if the user fee was tied to a dependent dental care plan, a perception of an erosion of benefits would exist.

The possibility of combining a voluntary contributory insurance plan with the provision of dental care by the military dental treatment facilities (DTF's) should be explored. The monthly payroll contributions by the servicemember would be partially offset by government funding. This type of program would allow the MTF's, as a cost containment and quality control measure, to provide diagnostic and preventive dentistry treatment within a catchment area. Required corrective treatment beyond the capability of the DTF's professional staff or the availability of treatment time would be performed by civilian practitioners. A further cost containment measure to be explored would possibly be the use of Health Maintenance Organizations or Primary Provider Organizations.

MANAGEMENT INITIATIVES TO REDUCE END STRENGTH

UNCLASSIFIED

Question: Have you looked at the management initiatives taken by the Army to achieve this goal? What actions have you taken to get the maximum benefit from existing manpower resources as new weapon systems come on line?

General Maloney: While we are certainly aware of the force structure changes that are taking place within the Army, we have not conducted a detailed examination of those initiatives. The Marine Corps, however, has taken management actions on its own to restrict growth by holding structure at levels programmed prior to 1983. By 1983, the Marine Corps had defined the major force structure changes required to implement force modernization effort. This major force modernization effort entails providing equal capabilities to each of our three MAFs and augmenting these capabilities by addition of a Light Armored Vehicle Battalion in each MAF. We have not increased this plan, although we have subsequently accommodated programmatic changes through decrements/deletions of existing requirements.

MEDICAL CARE QUALITY ASSURANCE

UNCLASSIFIED

Question: During the early months of the year, we were confronted with a series of news articles, as well as a two-part series on NBC television, decrying the quality of care provided in military medical facilities. Obviously, such charges have a great impact on you as the service manpower chiefs. What is your perception of this situation? Do you feel that there are sufficient checks within the system to discipline poor quality doctors or should there be greater accountability of the medical community to the line? If so, in what way? For example, should the Assistant Secretary of the Army for Manpower have had a say in the decision by the credentialing committee and hospital commander at Walter Reed to restore Dr. Watson's credentials on the day before he left the service? If you had a blank check on the accountability of the medical system, how would you fill it in?

General Maloney: We are beneficiaries of a superb health care system that is accountable and does very well in disciplining poor quality physicians. Every member of this system provides the quality medical care our people merit.

IMPROVED INFORMATION ON HOW TO USE MEDICAL CARE SYSTEM

UNCLASSIFIED

Question: Dealing with the medical care system can be a frustrating experience for many military families due, in part, to confusion about when military medical facilities must be used and to the complexities of the CHAMPUS program.

Realizing that the individual hospital health benefits advisers do yeoman service in trying to assist, I wonder if there is not a role for the family service centers to get more into this process and act as an initial point of contact and clearinghouse for basic medical system information. Given the young age of many spouses (under age 20), wouldn't this be a far less threatening environment to many of them?

In addition to the basic orientation to military life film that the Army is using at identification card issuance centers for this population group now, have you considered an information program more specifically targeted to using the medical care system?

General Maloney: There is a role for the family service center as an initial contact point for families to obtain medical system information, and we already train our counselors in the CHAMPUS program. To ensure currency and accuracy, however, requires close and continuous contact with the health benefits advisor who is the keystone in the information and administrative processing of CHAMPUS information and claims. Our family service center report that about 4 percent of their inquiries last year dealt with providing medical benefits information.

The Navy Medical Command provides the Marine Corps with information about the medical care system. Two items of interest to the Marine Corps Family Service Centers are:

(1) A 10-minute film on CHAMPUS benefits in video cassette format. This tape explains the basics of care, eligibility, deductibles, and reimbursement, standardizes the information which is being disseminated by the family service centers, and allows individuals to hear general information at any time.

(2) A slide presentation explaining CHAMPUS will be available this year. This can be used in our center's education/awareness classes.

FAMILY SUPPORT/SERVICE CENTERS

I believe that family satisfaction has a tremendous impact on the individual service member's decision to remain on active duty. I am pleased to see the emphasis the services are placing on Family Support/Service Centers. The Family Support/Service Center seems like an effective way to improve retention.

Question:

By service, what is the total dollar request for Family Support/Service Centers?

Answer:

The Air Force 1986 budget request for Family Support Centers (FSCs) is $8.6 Million to support 44 existing FSCs.

Question:

Does most of your request fall under Military Construction? Would it be possible to use existing facilities to house the Centers in some cases and, thereby, saving construction dollars?

Answer:

There is no military construction money in these figures. Family Support Centers are using existing facilities that have been upgraded with O&M dollars. In some locations, especially overseas and more remote CONUS bases, new construction will be required in the 1988-1991 timeframe.

Question:

Do you have survey or utilization data to demonstrate the satisfaction of military families with the program?

Answer:

FSCs are being well received. Information gathered by two independent evaluation teams showed that where FSCs are providing support consistent with their charter families are satisfied that (1) the Air Force is responsive to their needs and (2) it is a good environment in which to raise children.

Question:

When do you expect to cover all installations with some sort of Family Support/Service Centers?

Answer:

At this point in time, we plan to have an FSC at every major Air Force base by 1992.

HOUSEHOLD GOODS WEIGHT ALLOWANCES

Why are the household goods weight allowances based solely on grade?

Has the Department of Defense given any thought to restructuring the system in order to consider the existence of dependents as well as the member's grade in establishing weight allowances?

Answer: As with many of our "allowance-type" systems, the household goods weight allowances are based on grade. This approach recognizes each member's relative position and responsibility within the organization and acknowledges that with increased rank and income, there is a corresponding increase in the amount of personal property owned by the member.

We cannot speak for the Department of Defense; however, the Air Force has not considered restructuring the weight allowance levels based on either the member's grade or the existence of dependents. Under the current system, each individual grade-level ceiling serves as an "umbrella" to cover both single members and those with dependents. The fact that the grade ceilings generally exceed the household goods weight needed by single members has no bearing on the government's cost of doing business since the government's cost of relocating household goods is based on the actual weight of personal property shipped. If the weight allowances were increased as proposed in the President's FY86 Budget, we anticipate that the weight of personal property shipped by single members, except for junior enlisted personnel who currently have a very low weight allowance, should remain relatively unchanged as these possessions are already covered by currently funded levels.

MGT OF CIVILIAN PERSONNEL WITHOUT END STRENGTH CONSTRAINTS

Question for service manpower chiefs:

What is your analysis of the removal of civilian personnel end strength constraints during fiscal year 1985. What initiatives have you planned to ensure careful stewardship of civilian personnel resources should Congress agree to continued management by dollars and workload?

General Cassidy: Only the first quarter of this fiscal year has been completed so the full effects of the ceiling exemption are not yet apparent. However, we expect excellent results as was the case during the FY 83/84 Industrial Fund test. During the test our managers were able to better structure their workforce, and rapidly respond to changing workloads while reducing overtime and fiscal year end turbulence. The current FY 1985 execution includes an Air Force planning and execution program designed to support the test authorized by Congress. This program continues to involve management at all levels of the Air Force structure. To date, previously authorized employment plans, based on approved funding, have been executed on target. The Air Force continues to support the permanent elimination of civilian end strength ceilings.

The Air Force has undertaken several initiatives to ensure careful stewardship of our civilian personnel resources. These have included (but are not limited to): 1) high level guidance for prudent management; 2) greater involvement of functional managers at all levels; 3) greater interaction between budget, manpower and civilian personnel offices; 4) major command prepared civilian employment plans; 5) use of dollar and employment surveillance systems at installations, major commands, and Headquarters Air Force; and 6) periodic high level status briefings. Detailed instructions for operating without ceilings were provided to field commanders. Additionally, installation cost management committees received responsibility for balancing personnel, spending and program execution. Throughout these initiatives, we have stressed the need for continued prudent and responsible management.

ACTIVE DUTY DEPENDENT DENTAL CARE PLAN

Question for service manpower chiefs:

You have indicated that you feel a dependent dental CHAMPUS program is one of the highest priority family issues. Unfortunately, with the anticipated constraints on military spending this year, it will be difficult to identify $105 million for the modest dependent care program proposed by the Department of Defense unless some offsetting cut can be made elsewhere in the medical budget. To find such funds in the CHAMPUS program itself would require very large increases in the deductibles and copayments or reductions in covered services.

The Congressional Budget Office in its paper entitled "Reducing the Deficit: Spending and Revenue Options" proposed a user fee of $5 (enlisted) to $10 (officers) for outpatient care at military medical facilities. Realizing that you would strongly oppose such a fee in isolation, what would your reaction be if it were tied to a dependent dental care plan, particularly if there were a $100 annual limit on out-of-pocket expenses for enlisted families and a $200 annual limit for officer families, as proposed by CBO.

Do you have any other suggestions of ways to pay for a dependent dental care plan?

ANSWER: We do not support the use of copayment (user) fees at military medical facilities as a means of offsetting the cost of a dependent dental care plan. A copayment fee for any reason will be viewed by our members as a serious erosion of benefits. Such a fee would diminish a member's sense of security that, regardless of financial status, his or her family will receive needed health care. This is particularly true for members separated from their families on remote assignments. Distractions over concern for their families' well-being will impair both morale and operating efficiency. The dental insurance plan being proposed already requires a monthly premium of $10, as well as 20% of any required basic restorative care. These charges will cover 40% of the total program costs. Charging for needed medical care, in addition to the monthly premium, could negate any savings in having dental insurance. The $100 or $200 annual limit on out-of-pocket expenses may not seem excessive in and of itself, but with threats of possible changes to the military retirement system, pay freezes, taxation of military allowances, loss of commissaries, and excessive out-of-pocket PCS costs, enactment of a copayment fee may well be the proverbial "straw" that fuels the next downturn in retention.

The dependent dental insurance plan is part of a larger omnibus health care proposal which contains cost saving initiatives that would offset dental care program costs. We believe this comprehensive package (which includes monthly participant contributions for dental care), now being finalized in the Department of Defense, provides the proper means of financing a dental care insurance program.

MANAGEMENT INITIATIVES TO REDUCE END STRENGTH GROWTH

Generals Cassidy and Maloney, Admiral Lawrence:

It is interesting to note that the Army is creating two new active duty divisions and increasing its combat power within existing end strength. Given the budgetary outlook over the next few years, there may well be a lesson here for the other services.

Have you looked at the management initiatives taken by the Army to achieve this goal? What actions have you taken to get the maximum benefit from existing manpower resources as new weapon systems come on line?

General Cassidy: The Air Force has reviewed many of the management initiatives being employed by the Army. Some of the actions, e.g. the Light Division Concept, are unique to the Army's mission. Others such as the use of contract services, productivity investments, and efficiency reviews are applicable to the Air Force and are being used. The Air Force is actively working to reduce manpower needs through capital investment programs, contract service cost comparisons, and functional reviews. For example, Productivity

Enhancing Capital Investments saw a 8-to-1 return on investment between FY 81-84, offsetting 3700 manpower requirements. At the same time, the Air Force studied over 7200 spaces for potential contract services; we contracted 4600 and reduced 700 by improved efficiencies. We are using lessons learned from these efforts to launch functional reviews--an intensive effort to review the effectiveness and efficiency of virtually every function in the Air Force. We are also pursuing initiatives to increase the use of multiyear contracting techniques, "should cost" pricing reviews, breakout of spare parts, development of second sources, product assurance improvements, improved reliability and maintainability, and reduced fraud, waste and abuse. These initiatives will result in reduced costs to the Government and better weapon systems for our forces.

RETENTION OF PILOTS

Question: General Cassidy, on page 16 of your statement, you emphasize the need to provide incentives to experienced pilots to remain on active duty.

I agree that retaining seasoned pilots is crucial for readiness. However, if many pilots leaving active duty keep their flying skills up to par through jobs in commercial aviation, and if they join a reserve unit, retention of experienced pilots in the active component would seem to be less critical. Can you give us some idea of what percentage of pilots who leave active duty join the reserves?

Answer: In weapon systems that both the active and Air Reserve Forces operate, such as tactical airlift and tactical fighters, about 40 percent of pilots who leave the active force for other than retirement affiliate with a reserve unit. (See table below) For collocated units, such as our reserve associate strategic airlift units, the ARF hire rate is nearly 55 percent. For those flying weapon systems operated by the active only, such as trainers and bombers, about 20 percent join a reserve unit after separating from active duty.

SUMMARY OF AIR RESERVE FORCE
HIRING OF ACTIVE DUTY PILOT LOSSES
FY 74- FY 84

System	Percent	System	Percent
Fighter	39.08	Tanker	28.45
Reconnaisance	43.93	Strategic Airlift	54.15
Interceptor	49.64	Tactical Airlift	37.22
Trainer	19.49	Helicopter	16.73
Bomber	20.78	Mission Support	18.49

While aviators who leave active duty and join Air Reserve Force units help meet reserve force experience requirements, having a pool of experienced pilots in the Guard and Air Force Reserve does not satisfy the need for experienced active duty pilots. In addition to filling combat readiness requirements of the crew force, experienced pilots are necessary to fill command slots, perform instructor and supervisory duties, man special mission units (SR-71, U-2, for instance), and provide flying expertise to planning staffs. Even upon mobilization, officers affiliated with the Air Reserve Forces would "mobilize" with their respective reserve units and be unable to "backfill" active shortages or "enrich" the experience of active units. Consequently, experienced pilots are necessary in all three components of the Total Force.

SURVIVOR BENEFIT PLAN (SBP)

General Cassidy, you outline four major recommendations for changing the Survivor Benefit Plan on page 29 of your statement.

o What is the budgetary impact of each of your recommendations?

o What is the status of the SBP recommendations contained in the Fifth Quadrennial Review of Military Compensation? Do you support all or some of these recommendations?

o What kind of SBP participation rate would you envision under the plan as revised by your proposals?

General Cassidy: The Air Force is supportive of any change that would make the SBP more attractive to our retirees. Currently, the Department of Defense is reviewing the entire program and will provide recommendations for enhancing it later this year. The Fifth QRMC recommendations are being held in abeyance until the study group completes its work.

Our objective is to have 75 percent or more of Air Force retirees elect SBP coverage. In order to accomplish this goal, we need, at a minimum, the improvements detailed below to address the concerns reported by our retirees about the SBP.

Often mentioned as a drawback is benefit integration with Social Security. We are appreciative of the Committee's past efforts to lessen the impact of integration. The 1980 amendment to limit the offset to not more than 40% of the gross SBP annuity, followed by this year's amendment to reduce the offset for those entitled to Social Security benefits in their own right have enhanced the program considerably. However, to provide a more equitable benefit level to all retirees, we believe the offset should be limited to the lesser of 50 percent of the Social Security benefit (based on military service) or 40 percent of the SBP annuity. Ultimately, we favor elimination of the offset altogether if the cost/benefit levels can be kept at reasonable levels.

With regard to premium calculations, there has been a steady increase in the proportion of retired pay upon which the 10 percent premium formula is applied. As a result, many retirees are paying a total premium amount that approaches 10 percent of retired pay for SBP coverage. To halt this trend, we propose indexing the base amount to retired pay COLAs. A similar proposal (indexing the base amount to active duty pay increases) was estimated by the Fifth QRMC to cost $1M annually.

The remaining initiatives we seek would greatly enhance the program's attractiveness, yet have negligible budgetary impact. We would expect at least the same number of retirees to enter the SBP as withdrew during the two year grace period. Our SBP counselors tell us that this change alone could provide a significant increase in overall participation levels. Many individuals who now do not participate may favorably consider the program once they have made the transition from military to civilian life.

Only a very few retirees (probably less than 500 DoD-wide) would be affected by the proposal to suspend payments for participants who marry another person already entitled to an SBP annuity. However, this is a matter of great concern to those affected and should be corrected as a matter of equity.

AIR FORCE END STRENGTH GROWTH

On page 6 of your statement you indicate the reasons for a requested growth in end strength. Would you provide for the record the number of people in each of the categories listed, including the number per weapon system and per individual unit of that weapon system.

General Cassidy: The following list shows details of Air Force manpower growth requirements for FY 86.

1. Military Requirements

FORCE STRUCTURE & MODERNIZATION (See discussion at paragraphs 3 and 4)

- STRAT ACFT/FLYING HRS (B-1B, ALCM, KC-135)	+2000	
- ICBM MODERNIZATION	-700	
- AIR DEFENSE AIRCRAFT (F-106 OUT: F-15 IN)	-400	
- AIR DEFENSE RADAR (PAVE PAWS, OTH-B)	+300	
- TACTICAL RECCE (TR-1)	+300	
- TACTICAL FORCE STRUCTURE (F-15, F-16, KC-10)	+1400	
- TACTICAL MISSILES (GLCM)	+2000	
- AIRLIFT (C-5B)	+600	
- RESERVE FORCES ADVISORS	-100	
- RESCUE & SPECIAL OPERATIONS	+400	
- CLASSIFIED PROGRAMS	+400	
		+6200

READINESS AND SUSTAINABILITY

- CHEM-BIO DEFENSE	+200	
- AIR BASE SURVIVABILITY	+200	
- AERIAL PORTS	+300	
- MEDICAL WAR READINESS AND HEALTH CARE	+1500	
- IMPROVED UNIT MANNING	+2600	
- PACIFIC BASING STRUCTURE (MISAWA, OKINAWA)	+200	
		+5000

COMMAND AND CONTROL

- SATELLITE COMMUNICATIONS	+300
- CSOC SATELLITE OPERATIONS	+500
- NAVSTAR/GPS GROUND STATION	+100
- C^3I IMPROVEMENTS	+700
	+1600

ECONOMIC INITIATIVES

- MILITARY TO CIVILIAN CONVERSIONS	
-- NON-CRITICAL SKILLS	-2600
-- FOR COST COMPARISON (CONTRACT) STUDIES	-1600
	-4200

INVESTMENT IN THE FUTURE

- TRAINING	
-- UNDERGRAD FLYING TRAINING	+200
-- SKILL TNG, OTS, AECP	+400
- R&D PROGRAM REQUIREMENTS	+200
	+800
TOTAL MILITARY REQUIREMENTS	+9400

2. Civilian Requirements

FORCE STRUCTURE AND MODERNIZATION (See discussion at parapgraphs 3 and 4)

- STRAT ACFT/FLYING HOURS (B-1B, ALCM, KC-135)	+50
- ICBM MODERNIZATION	+50
- AIR DEFENSE RADAR (PAVE PAWS)	+100
- TACTICAL FORCE STRUCTURE (F-15, F-16)	+300
- TACTICAL MISSILES (GLCM)	+300
- AIRLIFT (C-5B)	+100
- CLASSIFIED PROGRAMS	+600
- AIR RESERVE TECHNICIANS (C-5/KC-10 ASSOC, C-5A, C-141, F-15, F-16)	+1100
	+2600

READINESS AND SUSTAINABILITY

- AIR RESERVE TECHNICIANS (CE AND RECRUITING)	+100
- CENTRAL LOGISTICS (PEACEKEEPER, EMBEDDED COMPUTERS, INVENTORY MGMT, NEW SYSTEMS)	+3100
- MEDICAL HEALTH CARE AND QUALITY ASSURANCE	+200
- EUROPEAN VEHICLE INCREASE	+100
- PACIFIC BASING (MISAWA, OKINAWA)	+300
	+3800

COMMAND AND CONTROL

- CSOC SATELLITE OPERATIONS	+100
- C^3I IMPROVEMENTS	+200
	+300

ECONOMIC INITIATIVES

- MILITARY TO CIVILIAN CONVERSION	
-- NON-CRITICAL SKILLS	+2600
-- FOR COST COMPARISON (CONTRACT) STUDIES	+1300
- ECONOMIES AND EFFICIENCIES	- 800
	+3100

INVESTMENT IN THE FUTURE

- TRAINING (SKILL TNG)	+100
- R&D PROGRAM REQUIREMENTS	+400
	+500
TOTAL CIVILIAN REQUIREMENTS	+10300

3. Military and civilian requirements directly tied to a specific weapon system do not always reflect the total manpower resource needed for full combat capability. For example, an increase of 50 civilians and 2000 military are required for strategic offensive force capability. Within that number, 1000 spaces are directly tied to an increase of 16 primary authorized aircraft (PAA) B-1Bs at Dyess Air Force Base. Resources are also required for initial activation of Ellsworth as a B-1B base, increased KC-135 flying hours, conventional munitions maintenance, SRAM maintenance for B-1B, and Air Launch Cruise Missile deployment at Carswell and Barksdale Air Force Bases. Increases are also offset by reductions. In the strategic offensive force, we saved 700 spaces by rebasing B-52s in order to beddown B-1Bs. The detailed list shown above reflects all requirements that are directly related to force structure. It also includes any associated savings as in the B-52 rebasing.

4. The other area that merits further delineation is Tactical Force Structure.

AIRCRAFT (PAA)		MANPOWER
-60 F-4E		-2500
+72 F-16		+2800
-2 F-111D		-50
+18 F-15		+800
+12 KC-10		+400
+F-15/F-16 Training A/C		+250
+5 OA-37		+100
	Subtotal:	+1800

Other changes include an increase for F-111 avionics workload (+300) and a decrease for withdrawal of European TACS units (-400). These changes equate to the total required growth shown above (+1700).

ASSIGNMENT OF WOMEN TO MINUTEMAN CREWS

During the subcommittee's hearing on improved utilization of women, the Air Force indicated its opposition to assigning women to Minuteman launch crews because these are two-person crews. It is my understanding that the Air Force has recently reversed its position and will now begin assigning women to Minuteman missile launch crews but that women will only serve when they are coupled with other women?

Based on this restriction, how many women does the Air Force anticipate using in this position? Were the crews to be coed, what would be the potential for utilizing women.

General Cassidy: We will begin assigning women to Minuteman missile launch crews this year. We expect to obtain a cadre of female Minuteman crew members from the Titan crews. Since we want to fill our positions whenever possible with volunteers, it is hard to accurately predict, at this point, how many women will actually volunteer for Minuteman duty. We plan on phasing in the women crews at one wing, studying the results, and then making appropriate adjustments as we expand the female crews throughout the force. We anticipate between 10% and 30% of our Minuteman launch crews will be women by the time we fully implement this transition.

Concern was expressed by crew members (male and female), senior officers at our missile bases and spouses over the potential destabilizing effect of coed crews in a two-person launch control center. We believe it wise to transition women to the Minuteman system as gender-specific crews now, and delay any further study of the desirability of implementing coed crews until this transition has been completed.

Medical Care Quality Assurance

Question: During the early months of the year, we were confronted with a series of news articles, as well as a two-part series on NBC television, decrying the quality of care provided in military medical facilities. Obviously, such charges have a great impact on you as the Service Manpower Chief. What is your perception of this situation? Do you feel that there are sufficient checks within the system to discipline poor quality doctors or should there be a greater accountability of the medical community to the line? If so, in what way? For example, should the Assistant Secretary of the Army for Manpower have a say in the decision by the credentials committee and hospital commander at Walter Reed to restore Dr. Watson's credentials on the day before he left the service? If you had a blank check on the accountability of the medical system, how would you fill it in?

Lieutenant General Cassidy: In my role as Deputy Chief of Staff for Manpower and Personnel, I participate in the Air Force Council, a group of the top Air Force leaders. All Air Force concerns are routinely addressed at this forum, including quality assurance in the Medical Service. Air Force medical care is excellent and getting better.

Accountability to the Line of the Air Force is strict. The primary reason is that senior medical managers work directly for the Line at each command echelon. Air Force Judge Advocates work directly for the Line and advise line commanders on important medicolegal aspects to enable them to make proper decisions. There are adequate checks and balances to effectively manage and discipline poor doctors. We now have appropriate medical quality assurance and credentialing systems that are second to none. The Uniform Code of Military Justice also provides local medical facility commanders a tough disciplinary and accountability mechanism. The credentials appeals process includes a medicolegal review at the local base, at the major command, and at Headquarters, Air Force. The Line of the Air Force also manages the Inspector General System. Medical quality assurance, risk management, inpatient records, and credentialing have all been designated special items of interest on Health Services Management Inspections of local medical facilities. Quality assurance assessment methods have been greatly expanded. There is a tough rating system to identify poor performers, impaired providers, and ineffective managers. Major command staff assistance visits to medical facilities also provide close surveillance on the practice of Air Force medicine. These efforts are structured to improve the quality of care provided and to enhance physician clinical performance. The Inspector General and Major command evaluators have been directed to make even more critical judgments. These teams have expanded their quality assurance checks and now look critically at provider performance, and quality assurance program substance and results.

In our continual pursuit of excellence, we have determined that there are a number of sound ways that we can improve accountability. Greater policy specificity is required of local medical facility quality assurance regulations, plans, and operating instructions. A formal change to the Air Force medical quality assurance directive has been developed to correct these program shortfalls. The major policy change will place more stringent controls, and oversight responsibilities on local commanders and the major commands. The major commands have already been briefed on the new quality assurance policies. This major change will be released in April 1985, after the Air Staff is satisfied that it is comprehensive and will achieve its purpose.

We cannot answer for the Assistant Secretary of the Army for Manpower on how he should act on a specific credentialing case. The Air Staff routinely briefs the Secretary of the Air Force on problem cases. It is important that we continue to permit local commanders, major commands, and Headquarters, Air Force to play an active role in the due process involved in credentialing and Uniform Code of Military Justice actions. The military health care system has been recently subjected to a level of media scrutiny that no other group of medical professionals or institutions has experienced. There is always a danger in probing such subjects that the worst cases will be erroneously used as examples representing the norm and the military health care system as a whole will be condemned for the shortcomings of a few errant members. The credentials/privileges process has been tightened to ensure proper actions on those practitioners who abuse their personal and professional privileges. Since 1980, the following number of practitioners have been decredentialed for each year noted: 23 in 1980, 38 in 1981, 33 in 1982, 18 in 1983, 66 in 1984, and 22 in the first quarter of fiscal year 1985. During these years, we had a yearly average of about 6,300 credentialed practitioners assigned. We have already reported 42 practitioners to state licensing agencies since 1983, when we first began this requirement. The increase in these actions has served the important quality control function of "weeding out" marginal and substandard performers.

To further improve our check and balance system for accountability, we, and the other services, are installing the Automated Quality of Care Evaluation Support System (AQCESS). AQCESS is a computer-based information system which will give predetermined, clinically valid, objective data for quality assurance peer reviews. It will include an activity profile on each practitioner which will track quality of care indicators. AQCESS has manpower and funding support to place it in every Air Force hospital. There are 141 manpower authorizations to support AQCESS. Unfortunately, no automation or manpower is being provided for free-standing clinics. If I had a blank check to further enhance medical quality assurance accountability, it would be prudent for the Department of Defense to authorize AQCESS for all clinics and provide appropriate funding to support the required manpower.

Medical Care

Question: I wonder if there is not a role for the Family Service Centers to get more into this process and act as an initial POC and clearing house for basic medical system information. In addition to the basic orientation to military life film that the Army is using at identification card issuing centers for this population group now, have you considered an information program more specifically targeted to using the medical care system?

Lt General Cassidy: Both Air Force Military Personnel and the Medical Service have a strong appreciation for the need to have a coodinated cooperative approach at base level to ensure our beneficiaries are aware of their health care benefits and receive medical advice and attention when needed. The charter of the Family Support Center Program requires such a coordinated effort. We believe the relationship between the 44 Air Force Family Support Centers and the base medical facilities has been a viable one dedicated to an improved quality of life for our military families. One example of a close working relationship between the Medical Services and a Family Support Center (FSC) is found at Hill AFB, UT. Here the FSC, in conjunction with the Utah State University, is conducting a child development program which is designed to screen for and detect early learning and developmental problems. Part of the evaluation and follow-up includes, when appropriate, consultation at the pediatrics' department of the military hospital. The Family Matters Branch of the Air Force Military Personnel Office and the Surgeon General's staff are considering expansion of this program. As was pointed out, using the FSCs as a referral source to the Health Benefits Advisor (HBA) has the potential to reach a portion of the population lacking information on medical services. We will encourage the HBAs to continue to work closely with the FSCs. Additionally, the Medical Service has asked OCHAMPUS to invite Family Support Center personnel to their basic level CHAMPUS training conferences.

The medical staff at all levels strives to educate our beneficiaries as to their rights and the means to obtain necessary care. Articles in publications such as Air Force Times and base newspapers, presentations by Health Benefits Advisors at Newcomers Orientation and pamphlets in the hospital, are all attempts to provide our beneficiaries with a better understanding of the health care system. The Air Force Surgeon General's office also works closely with OCHAMPUS to ensure that CHAMPUS publications such as the CHAMPUS Handbook, and video tapes such as "Your Health Benefits in a Nutshell" receive the widest possible dissemination and include information on both CHAMPUS and the Direct Care System.

RENT PLUS HOUSING ALLOWANCES IN ALASKA AND HAWAII

Why should an E-7 living at the median for his grade in Los Angeles absorb $75 per month in out-of-pocket housing expenses when an E-7 living at the median in Hawaii absorbs none?

General Cassidy: While we would prefer to have housing allowances which fully reimburse our servicemembers, the cost associated with such a program would be extremely expensive and, in all probability, would not be acceptable to Congress. Currently, there are two housing allowance systems: variable housing allowance (VHA) for personnel assigned to high housing cost areas within the continental United States (CONUS) and the rent plus housing allowance (RPHA) for personnel assigned overseas to include Alaska and Hawaii. VHA requires servicemembers to absorb 15% of the reported nationwide median housing costs within each pay grade, and RPHA reimburses servicemembers actual housing costs up to a ceiling set at the 80th percentile of reported housing costs. The primary reason for the two distinct programs is the different housing markets in the CONUS and overseas. This point was recognized by the Government Accounting Office when they recommended in March 1980 that DOD implement the RPHA overseas.

Even though Hawaii is different from most overseas areas (e.g., no currency fluctuations or cultural differences), there is a substantial difference in the housing market our servicemembers face when assigned to Hawaii compared to the CONUS. The key factor is the availability of adequate, lower cost housing. In Hawaii, the ability to find lower cost housing is limited by geographical conditions. Private sector considerations in Hawaii (e.g., water) do not permit the commuting distance/housing cost trade off that is applicable in the CONUS. In Hawaii, development money continues to favor the resort and condo markets--not monthly rentals. RPHA also permits our people to qualify for homeownership, although most homes have substantially less square footage than in the CONUS. This is important because of the limited rental market in Hawaii which is the lowest in the nation--1%. In addition, RPHA is flexible enough to deal with the "unique" rental lease situation in Hawaii whereby many leases are adjusted every six months. To exclude Hawaii from the RPHA system would inevitably create a financial hardship for our people. Consequently, the number of volunteers for accompanied tours would probably decrease with a corresponding increase in the number of unaccompanied tours. There has been considerable and proper emphasis lately on the quality of life and the family concept within the Armed Forces. Servicemembers who are able to take their families with them overseas serve longer accompanied tours which benefit mission stability and create a higher level of morale. The results are better on-the-job performance, better retention, and improved readiness.

RPHA provides our servicemembers in Hawaii a sufficient allowance to permit them to compete for adequate housing on the local economy. Higher price, limited choice of rentals, narrow price distribution, small size housing, and the inability to travel to less expensive housing make the housing market in Hawaii substantially different than the market in the CONUS. For these reasons, we believe RPHA is appropriate and justifies the different housing allowance system in Hawaii.

2052 [Whereupon, at 11:55 a.m. the hearing was adjourned.]

MANPOWER OVERVIEW

House of Representatives,
Committee on Armed Services,
Military Personnel and Compensation Subcommittee,
Washington, DC, Thursday, March 21, 1985.

The subcommittee met, pursuant to notice, at 10:10 a.m., in room 2337, Rayburn House Office Building, Hon. Les Aspin presiding.

OPENING STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES AND MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

Mr. Chairman. The meeting will come to order. We have several witnesses here this morning. Our first witness is our colleague from Mississippi, Sonny Montgomery. Sonny, we will let you start.

STATEMENT OF HON. G.V. (SONNY) MONTGOMERY, A REPRESENTATIVE FROM MISSISSIPPI

Mr. Montgomery. Thank you, Mr. Chairman, and my colleagues, for giving me the opportunity to present my views on the National Guard and Reserve initiatives and incentive programs. As you know, Mr. Chairman, the Nation continues to place increased reliance on our National Guard and Reserve, and the readiness of our Reserve units becomes more and more critical as we turn over more responsibilities to the Reserve Forces.

The increased reliance on the Guard and Reserve will require a number of actions to be taken to improve unit combat readiness including the expenditure of additional funds to meet manpower requirements, and equipment, and facility needs.

Mr. Chairman, I have added on to your initiatives that you implemented several years ago on Reserve Forces, and I have seven initiatives that briefly I would like to run down that I think would improve the readiness of the Reserve Forces.

One, improved selected Reserve manpower levels; enhanced Individual Ready Reserve Force, that is the IRR; enhanced Guard and Reserve unit training through development and procurement of more realistic state of the art simulators and training devices; greater family support of our Guard and Reserves. We have found that this is developing into a major issue, family support. We are having problems on employer support. I think that this subcommittee will have to look into this situation of better employer support.

Better identification and tracking of equipment utilized by the Guard and Reserves; and seven, enhanced facilities such as improving training sites, modernizing firing ranges, weekend billets, and training and storage facilities.

Although each of these areas requires attention, perhaps the most important factor in Reserve force readiness is the ability to recruit and retain sufficient qualified personnel to fill the Selected Reserve manpower requirements. As members of this subcommittee have noted earlier, this will become increasingly difficult given a diminishing manpower pool and increasing budget constraints.

In order to achieve the programmed Selected Reserve manpower growth of more than 200,000 or a 20-percent increase between fiscal 1984 and fiscal 1990, we need to ensure that we have the most efficient and most cost-effective package of recruiting and retention incentives that we can develop.

INCENTIVE PROGRAMS

The current incentive programs grew out of the strength shortages which were brought out in the mid-1970's, and I am talking about Reserve incentives. In fiscal 1977, Congress ordered a 9-month test of reenlistment bonuses for limited members of Army Guard and Army Reserve members. The success of the test led to an approval of an expanded program in fiscal 1978 including a reenlistment bonus and educational assistance program, and restricted enlistment bonuses for non-prior-service personnel.

By fiscal year 1981, bonus amounts had increased, and an IRR bonus had been established to attract active duty personnel leaving the military. A student loan repayment program was also added. Finally, the new GI bill for the Selected Reserve has now been enacted and will take effect this year.

Thus, there now exists a package of incentives which has been developed piecemeal over the years. Although this package seems to be effective, I am concerned about its cost. The fiscal 1986 DOD budget request over 9,400 personnel who will be used in recruiting, and $580 million in resources devoted to Reserve component recruitment and retention.

As I have indicated, ensuring that our Selected Reserve manpower goals continue to be met as we increase our reliance on the Reserve forces will necessarily result in increased costs. We must, however, be careful to also ensure that we are using our scarce defense dollars in the most effective manner possible so as not to sacrifice the inherent factors which make the Guard and Reserve a bargain.

In other words, what I am saying, Mr. Chairman, is that we do not want to keep adding costs to the Reserve forces as we price them out of the market, and they are a good buy for the taxpayer now.

We, therefore, need to take an objective look at the mix of recruitment and advertising programs, enlistment and reenlistment bonuses, student loan repayment programs, educational benefits, and any other targeted incentives provided to specific groups of military personnel.

And I recommend, and this is my recommendation this morning, that the House Armed Services Committee request the Secretary of Defense to conduct an objective review of each element of the total recruitment and retention incentives package, and report the results by the first of January 1986. Any required changes can then be incorporated into the fiscal 1987 DOD authorization.

I put January 1, 1986, and maybe this could be implemented into the authorization bill, and we do not know what date that bill will be passed out.

If properly done, such a study will be well worth waiting for. However, there are certain areas which must be addressed prior to the completion of such a study. I have introduced legislation aimed at these areas. I also recognize the importance of targeted incentives and the critical shortages in certain military personnel skills.

And I agree with certain DOD officials, and maybe our two witnesses this morning will comment on this, that we must provide authority and funding to continue the current targeted incentive programs for reservists beyond the authorized expiration date of September 30 of this year. I am talking about certain type of bonuses that go to reservists.

HEALTH CARE

And Mr. Chairman, I am convinced that the shortages of doctors and other health care professionals in the Reserves could have a devastating impact on the early stages of war regardless of all other combat readiness preparations due to the inability of the Nation to care for its casualties. Because I do not believe that we can afford to wait any longer to correct these critical shortages in doctors and other health professionals, I have introduced legislation, H.R. 1498, aimed at improving our ability to attract and retain health professionals in the Selected Reserves.

Thank you for this opportunity to express my views. I know that the members of this committee share the goal of not only making these forces as combat ready as possible, but also of doing so in the most effective manner. And I look forward to working with this subcommittee on these areas of studying the incentives and also taking a good hard look at the shortages of health professionals in the Reserve forces.

Prepared Statement of Hon. G.V. (Sonny) Montgomery

Mr. Chairman, I appreciate this opportunity to appear before you today to present my views on the Guard and Reserve Incentives Programs.

As this Nation continues to place increased reliance on our National Guard and Reserve forces, the readiness of our Reserve units becomes more and more critical. Much of the emphasis on the Guard and Reserves has resulted from a desire to reduce defense expenditures. The economies of operation, in manpower and operating costs, of our Guard and Reserves have been viewed as an attractive means of achieving overall budget reductions. What is not commonly recognized, however, is that increased reliance on the Guard and Reserves will require a number of actions to be taken to improve unit combat readiness, including the expenditure of additional funds to meet manpower requirements and equipment and facility needs.

I have undertaken a number of initiatives, in this Congress, to improve the overall readiness of the Guard and Reserves. Legislative action associated with these initiatives is aimed at accomplishing the following objectives: (1) improved selected Reserve manpower levels; (2) enhanced Individual Ready Reserve (IRR) force; (3) enhanced Guard and Reserve Unit training through development and procurement of more realistic state-of-the-art simulators and training devices; (4) greater family support of our Guard and Reserve members; (5) improved employer support for employee participation in the Guard and Reserves; (6) better identification and tracking of equipment utilized by the Guard and Reserves; and (7) enhanced facilities (local training sites, modern firing ranges, weekend billets, training and storage facilities, etc.).

Although each of these areas requires attention, perhaps the most important factor in Reserve force readiness is the ability to recruit and retain sufficient qualified personnel to fill the selected Reserve manpower requirements. As the members of this committee have noted earlier, this will become increasingly difficult given a diminishing manpower pool and increasing budget constraints.

In order to achieve the programmed Selected Reserve manpower growth of more than 200,000, or 20 percent between fiscal year 1984 and fiscal year 1990, we need to insure that we have the most efficient and most cost-effective package of recruiting and retention incentives that we can develop. The current incentive programs grew out of the strength shortage crises in the mid-1970s. Indicative of that situation was the Army National Guard's fiscal year 1977 assigned end strength of 364,000, a decline from a fiscal year 1974 strength of 410,000. The other Reserve components were experiencing similar losses in manpower strength.

In fiscal year 1977, Congress ordered a 9-month test of a reenlistment bonus for limited numbers of Army Guard and Army Reserve members. The success of the test led to approval of an expanded program in fiscal year 1978 including a reenlistment bonus, an educational assistance program, and restricted enlistment bonuses for non-prior service personnel. By fiscal year 1981, bonus amounts had increased, and an IRR bonus had been established to attract active duty personnel leaving the military. A student loan repayment program was also added. Finally, the new G.I. Bill for the Selected Reserve has now been enacted and will take effect this year.

Thus, there now exists a package of incentives which has been developed piecemeal over the years. Although this package seems to be effective, I am concerned about its cost. The fiscal year 1986 DOD budget requests over 9,400 personnel and $580 million in resources devoted to Reserve component recruitment and retention.

As I have indicated, ensuring that our selected Reserve manpower goals continue to be met as we increase our reliance on the Reserve forces will necessarily result in increased costs. We must, however, be careful to also ensure that we are using our scarce defense dollars in the most effective manner possible so as not to sacrifice the inherent factors which make the Guard and Reserve a bargain.

We, therefore, need to take an objective look at the mix of recruitment and advertising programs, enlistment/reenlistment bonuses, student loan repayment programs, educational benefits, and any other targeted incentives provided to specific groups of military personnel. I recommend that the House Armed Services Committee request the Secretary of Defense to conduct an objective review of each element of the total recruitment and retention incentives package and report the results by December 31, 1985. Any required changes can then be incorporated into the fiscal year 1987 DOD authorization.

If properly done, such a study will be well worth waiting for. There are certain areas, however, which must be addressed prior to completion of such a study. I have introduced legislation aimed at these areas. I also recognize the importance of targeted incentives and the critical shortages in certain military personnel skills. I agree with DOD officials that we must provide authority and funding to continue the current targeted incentives programs beyond their authorized expiration date of September 30 of this year.

In addition, I am convinced that the shortage of doctors and other health care professionals could have a devastating impact on the early stages of a war regardless of all other combat readiness preparations due to the inability of the Nation to care for its casualties. Because I do not believe we can afford to wait any longer to correct this critical shortage, I have introduced legislation (H.R. 1498) aimed at improving our ability to attract and retain health professionals in the Selected Reserve.

Mr. Chairman, I thank you for the opportunity to present my views on the National Guard and Reserve incentives programs. I know we share the goal of not only making these forces as combat ready as possible, but also of doing so in the most cost-effective manner. I look forward to working with the members of our committee on these most important issues.

The CHAIRMAN. We thank the gentleman from Mississippi for this very important testimony here. He is a person who has been very long active in improving the effectiveness of the Reserves, and certainly his views will be given very great weight by the subcommittee.

The gentleman from Indiana.

STATEMENT OF HON. ELWOOD H. (BUD) HILLIS, A REPRESENTATIVE FROM INDIANA, RANKING MINORITY MEMBER, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

Mr. HILLIS. Mr. Chairman, I just wanted to add to what you have said. I agree with everything that you have just said. If there is one person in the Congress that is going to be responsible for us achieving a total force concept, that is an Active Reserve that can fit in quickly in mobilization and carry their weight, it is the gentleman from Mississippi. And we all owe him a great debt of gratitude of the interest and efforts that he has taken, and the interest that he has had on this issue.

Mr. MONTGOMERY. Well, I appreciate you saying that, but we have had total support from this committee and from you and others, Bud. The Congress has moved toward more support for the Reserves and now they have the mission. And now we have to be sure that when they are called on that they can do the job.

Mr. HILLIS. Well, we have given the support, but you have been the leader.

The CHAIRMAN. Mr. Skelton.

Mr. SKELTON. I do not want to echo what has already been said by Mr. Montgomery. We thank you for your continued interest in the Guard and Reserve. You have an excellent record. And because of your thinking and your hard work in the past, it causes us to give greater weight to your testimony and to your thoughts today. Thank you for your testimony today.

Mr. MONTGOMERY. Thank you. I think that what I have presented today are in effect low-cost ticket items in these initiatives that we did bring forward. They are not any big cost items because of the budget crunch. But what we have presented we think does make sense, and we ought to look into it. And most of it does come to the House Armed Services Committee.

The CHAIRMAN. Are there any other comments, questions, et cetera?

[No response.]

The CHAIRMAN. Thank you, Sonny.

Our next witness is an old friend who has, of course, been with us before, a person who I think is one of the very finest people in this business, a person whom I have admired a long time. He is one of the few people over in the Pentagon these days that makes any sense. Let me welcome Larry Korb to come testify before us this morning. Larry, why don't you go ahead, and then we will ask you some questions.

STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY FOR MANPOWER, INSTALLATIONS AND LOGISTICS, DEPARTMENT OF DEFENSE

Mr. KORB. Thank you, Mr. Chairman and members of the committee. It is a pleasure to be here. I appreciate that very kind introduction. I have a long statement for the record. I would like to place it there and just make a few comments.

I want to focus today on our current military personnel situation, improving life for military families, solving several personnel management problems, and operating without civilian ceilings.

As you know, we all inherited a deteriorating military personnel situation some 4 to 5 years ago. With the help of this committee and your leadership, Mr. Chairman, we have succeeded in remedying that beyond our expectations. However, as we look forward, we face increasing challenges. I am confident that we can continue to satisfy our objectives, particularly in recruiting, if we get adequate recruiting sources.

I am confident that we can keep up our retention if we have competitive and fair pay and compensation and, most importantly, the continued support of the Congress and the American people.

One area that we want to focus on a great deal this year, and certainly your committee has indicated that it is also concerned about, family programs. We established in the Department a Family Policy Coordinating Committee last year. This year when we do our DOD survey which we run every couple of years, we are including members of the family separately rather than just the service members. We expect as part of that survey to get data from over 75,000 spouses.

We are working with agencies outside the Department in support of family programs. We have incorporated family awareness training into the officer training curriculums. And I have established in my office reporting directly to me an Office of Family Policy.

In terms of recruiting, my main concern right now is recruiting for the Guard and Reserve. The Guard and Reserve had some problems last year, and I think that they are going to have some problems this year, because, as Congressman Montgomery pointed out, they have increased rather rapidly over the past couple of years.

The other services are not doing as well as they did last year, but I think that it would be unrealistic to expect us to maintain the 1984 levels, and to set that as a standard for recruiting for all time.

I know that this committee is concerned about an increased roll for women. I think that we will continue to increase the number and the opportunities of women in the Armed Forces. However, philosophically, I am opposed to goals that are legislated for any or all of the services.

In terms of retention, although we have shortages in specific skills, by and large retention seems to be holding quite well.

Now this year we are going to ask for particular support from Congress in several areas, and they are related particularly to the family areas. We would like improvements in PCS reimbursements; the money that we have asked for will provide for fair reimbursement. About half of the members right now have to borrow money when they move. Based on our best analysis, they are only reimbursed for about one-quarter of their expenses.

We would like equity in the dependent student travel program, so that we can get for our people this benefit which you helped us enact 2 years ago to allow traveling within Conus as well as overseas. This is something that dependents of civilians already get.

We are concerned about the transfer of the dependent school system to the Department of Education. And we would seek permanent legislation to prevent that from happening.

In terms of military retirement, I know that many people are upset because the Department has not submitted specific recommendations for reform. We are constantly reviewing it. This year our basic position was that the administration came in for no COLA. We were not able to submit the pay raise for which we had budgeted. This was not the time to submit dramatic proposals for retirement reform. But I do not want to leave you with the impression that we have forgotten the subject.

Another area that concerns me is the problem of management with flag and general officers. I believe that we need a comprehensive framework, and that we must get away from temporary solutions where every year at the end of the year we are adding one, or two, or three stars to different services. We need to agree with Congress and the administration on a long-term plan about how many we can have, so that we do not leave people with their bags packed at the end of the year, and cannot make the transfers that we would like.

I am also concerned with management headquarters reductions, particularly the ceiling in the Office of the Secretary of Defense. I know that everybody thinks that we have a great many people sitting over there just shuffling papers. But one of the main things that they are doing over there is providing more reports to Congress.

And if you take a look at the growth of that, it has been dramatic. I think that the study that Congressman Montgomery suggested is a very good study, but it is going to require people. Last year, we had something like 900 reports due to Congress. With 1,700 people at OSD, that means that we had about 2 people working on every report in addition to doing the other things that they had to do.

The other area that I would like to comment on is the fact that we are managing civilians for the first time without ceilings. We submitted a report this year on how we operated in the industrially fund activities without ceilings. It showed that when you lifted the ceiling, some went up and others went down.

I do not believe that the removal of ceilings will automatically cause expansion. I want to tell you that even though we do not have to operate with the ceilings, we are trying to reduce the work force, because it simply costs us money.

We need your support in several other areas. We request your support for the pay raise this July. We request support for the increases in the active component military strength. Even though we have put a lot more into the Reserves and the Reserves can do a lot of things, we are going to need those active duty increases this year, which in my view are minimal. There are none for the Army and slight increases for the Navy, Air Force, and Marine Corps, basically to man the weapon systems that have been authorized by the Congress a couple of years ago.

We need support for the increases in recruiting resources to keep pace with what we have been doing in the past couple of areas.

In conclusion, let me just make one final remark. I understand that the administration will not receive all of the increases in the budget that it has asked for. I would urge that whatever you do that you do not take a disproportionate cut in the people area, because that is quicker spending than other areas. Whatever we do must be in a balanced fashion.

If we cannot afford to have the budget as large as we might like, then we ought not to have the systems. If we get the systems without the people, that will only cause a great many problems in the long term.

Thank you very much, Mr. Chairman.

PREPARED STATEMENT OF HON. LAWRENCE J. KORB

INTRODUCTION

Mr Chairman and members of the Committee, it is a distinct pleasure for me to appear before you today to discuss our current manpower situation. I will not only tell you where we stand but will also seek your support for initiatives vital to continuing the success of the past four years.

In these days of significant success in the manpower area, there may be a tendency to forget the terrible condition of our armed forces when this administration first came into office. There were serious manpower deficiencies in both quantity and quality of personnel in the active and the reserve forces. The test scores and educational achievements of our recruits had reached disturbing lows, moral had declined, and the loss of career personnel was aptly described as a hemorrhage of talent. Many of our allies were concerned about our ability to meet our defense commitments.

The Reagan administration made remedying this situation one of its highest priorities, and with your help we have succeeded beyond our expectations. This country now has a strong, high-quality force that not only provides for the immediate defense but also serves as a solid foundation for future defense needs. We have accomplished this change by offering qualified volunteers the opportunity to become skilled professionals, to be paid a competitive wage, and to make a contribution to the security of the Nation. In addition, we have recognized the military family as an integral part of the defense community and have improved the quality of military life and working conditions.

While we in the Defense Department, like our counterparts in other agencies, must search for every available means of saving tax dollars, it is vitally important that we not undo the improvements that have been made in the manpower area. We need your help to ensure that each of the components of our Total Force—active military, reserves, and civilians—continues to perform effectively its share of the job of defending the nation. We also need your help to ensure that we have the resources we need to plan for the future. People must remain our highest priority.

ACTIVE COMPONENT MILITARY MANPOWER

Growth in active strength, improvement in the experience level of the force, and reduction of critical skill shortages are evidence of our success in the area of active component military manpower.

At the end of Fiscal Year 1984, there were over 98,000 more people on active duty than there were in 1980. For fiscal year 1986, we are requesting an increase of 25,630 or 1.2 percent from our fiscal year 1985 level. Adequate strength is the fundamental determination of unit personnel readiness, and the small growth requested will support necessary improvements in force modernization programs already approved by the Congress and enhance the sustainability of the current force structure. Manpower is not independent of modernization but is an integral part of our total defense program. As end strength levels are artifically constrained, as they were in fiscal years 1984 and 1985 when Congress denied 60 percent of our active component growth, the resulting undermanning of much needed new programs ultimately degrades readiness. We need your approval of our requested growth to support our force structure and weapons systems.

Each of the services met its enlisted recruiting goals in fiscal year 1984. We recruited about 330,000 people. Our goal for fiscal year 1985 is approximately the same. Educational levels and test scores of the recruits in fiscal year 1984 were the best ever and much higher than those of the general youth population:

Last year, 93 percent of our new recruits had earned a high school diploma. This figure compares to about 75 percent in the general youth population. Four years ago, only 68 percent of new recruits had high school diplomas.

Ninety-three percent of our new recruits scored in the average or above average categories on the Armed Service Vocational Aptitude Battery (ASVAB) compared to 69 percent in the general youth population. Four years ago, only 69 percent of our recruits scored in these categories.

The improving economy and declining youth unemployment, however, have made the recruiting environment somewhat more challenging. To continue attracting the required number of quality volunteers, we must be committed to a program of fair and competitive pay and allowances and adequate recruiting resources. We will need about 3 percent program growth in total recruiting and advertising resources to respond to the more difficult recruiting environment and achieve our enlistment goals.

The loss of experienced people that was occurring in the late 1970's has been halted. Now the reenlistment rate for career enlisted personnel is about 85 percent, compared to only 69 percent in 1979. The total enlisted force has grown about 4.1 percent since 1980, while the non-commissioned and petty officer corps has grown by about 11 percent during the same period. Average years of service in the enlisted force have increased from 5.55 to 5.93 years.

Although enlisted retention is now at high levels, some small shortages still exist in certain skills. This is particularly true in skills that are highly marketable in the private sector or that involve particularly arduous duties. The shortages are primarily in the middle grades and are being alleviated by improved bonus programs, better promotion opportunities in shortage skills, and retraining/reclassification programs.

The most serious officer shortage problems are in nuclear-trained submarine and surface officer communities from the grade of Lieutenant Commander to the grade of Captain. By fiscal year 1986 our shortages in these areas could be as high as 22 percent. It is imperative, therefore, that we continue to get Congressional support for incentive programs for these officers.

Our pilot shortages have decreased dramatically from over 5,000 in fiscal year 1981 to under 1,000. Pilot retention is affected by hiring in the airline industry. As a result of airline deregulation, hiring has fluctuated quite a bit in the last several years. We are watching this situation very carefully to ensure that we remain competitive.

Another problem that we have related to officers is difficulty in the management of flag and general officers. We urge your support for passage of legislation that we intended to resubmit to establish a comprehensive framework for managing flag and general officer requirements. We need to get away from the temporary solutions of the past couple of years.

We continue to make excellent progress in increasing the role of women in the armed forces. They will continue to be provided the opportunity to pursue careers for which they qualify. This means that military women can and should be used in all roles except those explicitly prohibited by combat exclusion statutes and related policy. Today almost 10 percent of the active force is made up of women. This compares to approximately 2 percent at the end of the draft and about 8 percent in 1980. The number of military women will continue to grow over the next 5 years because we will increase the opportunities available to them and will ensure that women are made aware of these opportunities.

We also continue to make progress in increasing the opportunities for minorities. Minority officers now constitute approximately 11 percent of the active officer corps. There has been a 25 percent increase in the number of minority officers since 1980. One trend that concerns me, however, is the tendency of minority junior-grade officers to leave the services at a higher rate than their non-minority counterparts; we are trying to discover the reasons for this trend so that we can remedy it. Minority enlisted percentages remained relatively constant during the past 4 years at about 30 percent.

Since this administration took office, we have placed strong emphasis on improving military training as an important way of enhancing force readiness. We believe that the Services can benefit from improved coordination and information exchange on the use of training technology. One major initiative in this direction has been the establishment of the Defense Training Data and Analysis Center (TDAC) in Orlando, FL. TDAC will serve the entire Defense training community through the collection and analysis of training data and the dissemination of lessons learned. We have also tightened coordination of key training issues within the Officer of the Secretary of Defense and the Joint Staff through the establishment of an OSD Steering Committee on Training and Training Technology. The Service budget requests for Fiscal Year 1986 provide the resources for sound, realistic training. The penalties for stinting on training resources are severe, and we ask your full support for our training programs.

The Veterans' Educational Assistance Program (VEAP), our current educational benefits program, will be suspended on July 1, 1985 and will be replaced with a new program, the "Veterans' Educational Assistance Act of 1984" (GI BILL). to ensure that this new education program meets the department's recruiting and retention needs, we will shortly be requesting certain legislative changes to allow for a more orderly transition from VEAP to the new GI Bill.

As I indicated in my statement last year, much of the success of our recruiting and retention programs can be attributed to improvements in military compensation since 1980. The two large pay increases in fiscal years 1981 and 1982 were very important in making up the substantial gap that existed between military pay and private sector wages. Equally important were the implementation of the Variable Housing Allowance (VHA) and significant increases in special and incentive pays, bonuses, and travel reimbursements.

The compensation program we are proposing for fiscal year 1986 is a comprehensive package designed to continue the successes we have achieved in recruiting and retention and to improve the quality of life of service members and their families. In light of the government-wide efforts to reduce the federal deficit, we are requesting only a 3 percent military pay raise for fiscal year 1986. Recognizing that this will not match projected private sector wage growth, we are asking Congress to reduce the impact of a smaller pay raise by approving it one quarter early, making it effective July 1, 1985.

In addition to the 3 percent pay raise, we are also requesting approval of substantial improvement in Permanent Change of Station (PCS) reimbursements. These include:

A graduated increase in household goods weight allowances to a minimum of 5,000 pounds for junior enlisted members and a maximum of 18,000 pounds for senior grade enlisted members and officers;

A travel allowance for dependents of junior enlisted members in CONUS; and

Funding for up to four days temporary lodging expenses not to exceed $110.00 per day.

These changes will allow for a fairer reimbursement of the costs of the PCS moves that we require of our men and women. When making a PCS move, the average service member is now reimbursed for only about one-fourth of the out-of-pocket expenses incurred. In addition, over half of our service members need to borrow money to cover their PCS moves. I am unalterably committed to ensuring that the costs of Government-directed moves are borne by the Government, not by individual service members.

We are also studying a dental care program for dependents of active duty personnel. Such a program may be needed if military medical programs are to continue to compare favorably with private health care plans and remain an effective recruiting and retention incentive.

In addition, we are considering legislation to implement those recommendations of the Fifth Quadrennial Review of Military Compensation which are designed to improve our special and incentive pays and survivor benefits.

We ask for equity in the dependent student travel program. As authorized, the dependent student travel program provides long-sought equity for service members overseas. In its original form, the program authorized government funding of one round-trip per year for dependent students from their sites or education in CONUS to their parents' residences overseas. Federal civilians overseas already have this benefit. The authority was subsequently modified to eliminate funding of the CONUS portion of travel for dependents of military personnel but to retain it for dependents of DoD civilians. I am strongly opposed to this modification because it is inequitable and because it imposes an added financial burden on military parents who are required to serve overseas. We solicit your support in correcting this inequity.

Additionally, it is essential that our members be protected from a reduction in pay through changes in federal tax policy. Current tax treatment of allowances and other military benefits is integral to the military compensation system and should not be changed without corresponding corrections in the total military pay package.

The Department of Defense has not yet submitted any recommendations for reform of the military retirement system. Because of the nature of this issue, it is constantly under review. The current system is fulfilling its purpose as a management tool for manning the force with the quantity and quality of people required to sustain a ready force. Consequently, in order to alleviate any adverse effects on force manning, any changes to military retirement must be done in the context of the overall compensation package. In addition, it should be noted that this year's budget contains a provision whereby Government retirees, including military personnel, will not receive a cost of living adjustment in 1986.

While compensation is tremendously important, it is not the only factor that affects recruiting and retention. Poor working and living conditions discourage people from enlisting and reenlisting and, therefore, hurt the readiness of our forces. We recognize that service members make career decisions based on the perception they and their families have of the quality of their lives; we feel that an important part of the commitment we have to our people is to provide them excellent installations on which to work and live. As a result, with your assistance we have increased the average annual investment in facilities over that of the late seventies by more than 35 percent. This increase has resulted in major improvements to facilities in CONUS and overseas that have raised the productivity of our people.

In an effort to improve productivity at our installations, we began an experiment a year ago designed to give selected installations more authority and control over their own resources. The experiment, our Model Installations Program, has resulted in much deregulation, increased attention to installations by their commanders and staffs, and most importantly, improvements in the facilities and operations of these selected installations that have been funded by the money saved by good ideas.

We feel we must provide our military families at least a basic level of services normally provided by civilian communities. Therefore, our installations' support program includes a wide range of community facilities. For example, we are operating 272 family service centers on DoD installations worldwide. To meet the growing demand for child care, the Department operates nearly 550 child care facilities on some 400 installations worldwide. Family day-care programs are also being expanded. Funding priority is given to facilities in locations that have an absence of such support, especially at new or expanded mission sites. We believe the burden of the cost of community facilities at such sites should be borne by appropriated funds.

Our investment in facilities affecting the quality of life of our service members and their families is paying off. Everywhere I go, our commanders report marked improvement in working and living conditions. In the work areas, our efforts have engendered pride and improved the morale of the troops.

Even though we have accomplished a lot, much remains to be done; we need the continued support of the Congress for the family, bachelor, and troop housing programs requested in our Military Construction Bill as well as for those programs requested in our Defense Authorization Bill.

Our attention to the quality of life of our people encompasses more than construction, renovation, and maintenance or our physical plant. It includes many individual DoD programs that contribute to sustaining personnel readiness by recognizing the importance of people that make up the armed forces. Among these programs are medical care, child care, religious activities, commissaries and exchanges, and other family support activities.

Last year, we created the Family Policy Coordinating Committee to bring together policymakers throughout DoD to shape and influence family support efforts. As part of these efforts, we have commissioned a DoD-wide family survey to poll approximately 131,000 service members and 75,700 spouses on their satisfaction with military life and needs for additional support. We have extended our efforts to work with agencies outside DoD in support of family programs. Additionally, we have made great strides in incorporating family issue awareness training into officer professional school curricula. To ensure that we maintain our momentum in this area, I have established an office of family policy reporting directly to me.

I do not want to leave the subject of military families without calling to your attention the important subject of our overseas schools. Since 1979, the Department of Defense Dependents Schools (DoDDS) have been operating under the statutory requirement for their transfer from the Defense Department to the Department of Education. In response to our legislative initiatives, the transfer has been postponed by Congress twice; although on both occasions, a permanent repeal was not passed. The current mandatory transfer date is May 1986.

Both DoD and the Department of Education endorse a permanent repeal of the transfer requirement. A repeal is desirable for several reasons. The overseas schools have clearly demonstrated their excellence, which to a large extent is due to the leadership and support provided by the Department of Defense. They are unquestionably an academic success, as evidenced by student performance on nationally administered tests such as the Scholastic Aptitude Test. School administration, logistical support, facilities maintenance and construction, personnel services, and budget preparation are best carried out by the Defense Department. The school system has been an integral part of the Defense family for nearly 40 years, and its transfer to the Department of Education will create a myriad of technical and legal problems in these critical areas of support. Service personnel appreciate, expect, and are entitled to the excellent education DoDDS provides their children. The transfer of DoDDS to the Department of Education would not result in better educational opportunities for the children of U.S. service members overseas. I request your support in ensuring that DoDDS is retained within the Department of Defense.

Before leaving the subject of people serving overseas, let me point out that we recently completed a review of the fiscal year 1986 requirements in European NATO countries and found that we need at least 329,869 U.S. military personnel permanently stationed ashore in these countries at the end of fiscal year 1986. However, the statutory ceiling on this number will only allow us to have 326,414.

The Secretary of Defense, the Joint Chiefs of Staff, and I hope the Congress will repeal the permanent ceiling on European troop strengths. We are managing this issue aggressivley and will continue to ensure that the number of military people in Europe is minimized, consistent with our need to have a strong deterrent partnership with our allies. We will inform the Congress of our plans for European strength each year in the Defense Manpower Requirements Report.

RESERVE COMPONENT MANPOWER

Although some of the management functions related to Guard and Reserve activities are now handled by the Office of the Assistant Secretary of Defense for Reserve Affairs, I am still responsible for Total Force manpower policy; that is, for analyzing our overall manpower requirements and allocating the total force structure between the active and reserve components and between the civilian and military components.

The Reserve Components are key elements of our Total Force. In fiscal year 1984, Selected Reserve strength reached an all-time record level of almost 1,046,000 members. For our Selected Reserves in fiscal year 1986 we have requested an increase of 47,100 from the fiscal year 1985 level, almost double the increase requested for the active forces. My policy continues to be to use reserves wherever possible. The over one million members of the Selected Reserve are highly trained, highly skilled professionals whose sense of duty and demonstrated ability are cornerstones of our national defense.

In the event of a conflict, the individuals and units of the Guard and Reserve will deploy with the active forces. Current mission assignments demand that many of their units be as fully capable, and as professional, as their active component counterparts.

Total defense costs are reduced by maintaining significant military capabilities in a reserve status ~~rather~~ than maintaining all military forces on active duty. However, the proper mix of active and reserve forces is more than just a matter of cost. We must consider overseas deployments and peacetime missions for which, in many cases, part-time reserve forces are not appropriate. We must ensure that there are sufficient active forces for the early stages of reinforcement to NATO or to trouble spots elsewhere in the world.

Last year, at your direction, we re-examined the way we make decisions about the mix of active and reserve forces. During this review, we discovered that each decision must be addressed on its own merits. We also found that a decision to add or transfer units or missions to the reserve forces requires long-term planning and preliminary funding.

The mix of active and reserve forces must be decided in a deliberate process in which the differences in capability and cost of the active and reserve choices are weighed so that a balance is achieved between the competing demands: a credible deterrent and a realistic, sustainable warfighting capability at least cost.

CIVILIAN MANPOWER

Our civilians constitute another of the critical building blocks used to provide a cost-effective mix of resources to carry out the Department's mission.

DoD treats civilian manpower as a resource to execute programs. Operations in a ceiling free environment have increased the emphasis on appropriately matching work force plans to projected workload. At the end of fiscal year 1984, the Department of Defense employed 1,085, 474 civilians. For fiscal year 1986, we are requesting funding for a level of manpower resources of 1,106,828, an increase of 19,052 or 1.7 percent over the fiscal year 1985 authorized level. The growth will occur principally in readiness-related areas such as spares management, maintenance support, and auditing and control functions. We are also continuing our efforts to civilianize functions that do not require military personnel.

Most DoD civilians perform functions essential to near-term military readiness:

Nine percent of the fiscal year 1984 civilians were employed in auxiliary functions such as research and development and centrally managed communications.

Thirty-five percent were employed in logistics functions.

Fifty percent were employed in base operations, real property maintenance, training activities, medical care, and other associated activities directly in support of our military.

One area where civilians make a significant contribution is the Defense Agencies. The Defense Agencies exemplify the Department's long-standing emphasis on improving the way we accomplish our mission. They have been organized under authority granted to the Secretary of Defense to integrate under a single agency any supply or service activity common to more than one military department whenever he determines that this arrangement will be more efficient, economical, or effective.

The Defense Agencies are essentially civilian organizations, although there is always a small mix of military staffing to ensure that there is an adequate understanding of the requirements of the services. The basically civilian makeup of the Defense Agencies ensures economies of pay, longer corporate memories, and higher technical skills than is readily achieved from a military manpower pool with its frequent personnel rotations.

The distribution of civilians among the services and the defense agencies is based on the changing missions of these components, the differing workloads associated with those missions, and the Department's use of alternatives to the civilian work force. These alternatives include using temporary employees and overtime, contracting workloads to the private sector in compliance with OMB Circular A-76, and using capital equipment as a substitute for more costly labor.

Under the A-76 program, the Department has competed approximately 35,000 positions with the private sector since 1979. In-house work forces won about 50 percent of the competitions. The A-76 competitive process is now saving us about 30 percent of the original cost of doing business—about $410 million annually. We intend to continue our efforts to achieve economies and efficiencies through the A-76 program, while accommodating Congressional guidance on this program.

We also conduct DoD-wide efficiency reviews of all support activities not subject to A-76 cost comparisons. These reviews analyze mission assignments, establish performance work statements for these missions, and then seek out and employ the most efficient methods for performing these requirements.

We involve our DoD work force in productivity by using behavorial techniques such as Quality Circles, performance-based incentive systems, job enrichment, and organizational development programs. We also have in place a range of Productivity Enhancing Capital Investment programs to encourage and finance cost-effective investment in equipment and technologies.

The Fiscal Year 1985 DoD Authorization Act excluded all DoD operations from civilian ceiling controls. This exclusion followed the lifting of civilian ceilings in DoD industrially funded activities in fiscal years 1983 and 1984. I have issued guidance to the Services and Defense Agencies on operating without civilian ceilings. The guidance stresses prudent and efficient management, including an increased emphasis on labor-saving initiatives. On March 1, 1985, we provided a report to Congress on the results of operating without ceilings. We appreciate the opportunity Congress has given us to show that the Department of Defense can manage its civilian work force efficiently and effectively without end strength controls. Our fiscal year 1986 request anticipates operation without personnel ceilings, and we request continued relief from statutory ceilings.

While Congress has helped us by allowing us to operate without civilian ceilings, Congressionally mandated management headquarters reductions have caused a great hardship. In fiscal year 1984, the DoD Authorization Act imposed a 5 percent across-the-board reduction to Defense management headquarters. The fiscal year 1985 DoD Authorization Act imposed another 2 percent across-the-board reduction, with a specific ceiling of 1,765 spaces for the Office of the Secretary of Defense (OSD).

Over the past several years, the Department has made a concerted effort to strengthen program and policy oversight from the OSD level in order to reduce waste and improve the management of DoD resources. However, during this same period, there has been increasing pressure from Congress to reduce the size of OSD which has worked at cross purposes with that effort. If the Secretary of Defense is to manage DoD effectively and satisfy Congressional requirements in a timely manner, he must have the requisite manpower resources at his disposal.

Effective management of the Department is a major undertaking, and we believe that an OSD staff of 1,765 is extremely small for this purpose. This is approximately 500 fewer people than were employed in OSD 10 years ago, even though the scope, complexity, and importance of the work performed by the staff has not diminished since then. In fact, during this period, the Congress has placed an ever-increasing burden on the management headquarters staffs to provide information, present testimony, and respond to congressional directions. For example, the number of statutory provisions in the DoD authorization and appropriations bills has increased more than 200 percent from fiscal year 1970 to fiscal year 1985, other actions directed by Congress have grown 1,000 percent, and the reports and studies required by the Congress have gone up by 1,200 percent. Further, the OSD staff amounts to less than one twentieth of 1 percent of the Department's total authorized manpower.

CONCLUSION

We are proud of our accomplishments and mindful of how far we have come in the past 4 years. But we should not become complacent; to do so would put at risk what we have accomplished. A number of manpower challenges still remain.

To meet current demands, and at the same time provide a sound foundation for the future, we request your support for:

Increases in the fiscal year 1986 active component military manpower strengths of 1.2 percent over fiscal year 1985 levels;

Support for our compensation initiatives, especially those involving PCS; and for all programs to improve the quality of life for military families;

Permanent repeal of the transfer of DoDDS to the Education Department;

Increases in recruiting resources;

Increases in resources for Selective Reenlistment Bonuses and Special Duty Assignment Pay;

Passage of general and flag officer legislation;

Continued support for training resources including ammunition, fuel, repair parts, and other resources that support flying hours, steaming days, and other forms of training activity;

Support for our legislative modifications of the new GI Bill;

Increases in fiscal year 1986 funding to support civilian manpower in readiness related areas such as spares management, maintenance support, and auditing and control functions;

Recision of the 2 percent cut in Defense management headquarters strength and the end strength ceiling of 1,765 on the staff of the Office of the Secretary of Defense.

With your help, we can successfully maintain the armed forces that we have rebuilt and continue the work of planning for the future.

Mr. **Chairman**. Thank you, Dr. Korb.

Sonny.

Mr. **Montgomery**. Thank you, Dr. Korb, for getting right to the point. One family support for both active and reservists, one area that we have been thinking about, and that would come out of the House Veterans' Affairs Committee and I believe that we could get it through, is to increase the SIGLI insurance from $35,000 to $50,000. And that is an incentive without a big cost.

We did increase it from $35,000 to $50,000, and the Senate added that you had to be in the service for a certain time. And we did not accept that, because those marines killed in Lebanon and Beirut, about 40 to 50 percent of them would not have been covered for the insurance under the provisions of having to be in the service that long.

So I assume that you would support this straight across the board increase in the SIGLI insurance.

Dr. **Korb**. Not only do I support it, we recommended it in the quadrennial review of military compensation which was completed, as you know, in January 1984.

Mr. **Montgomery**. One other comment.

Do you have a suggestion as to how we could maybe take a look at these Reserve incentives? Maybe we are on track, maybe they do not need to be changed.

Dr. **Korb**. Well, I think that if you take a look at our budget this year, you will see a larger increase for recruiting resources for Reserves, because of the fact that we are expanding the Reserves this year by twice as much as the Active Forces, and we know that the market is becoming more difficult.

I would support the point that you made in your testimony, that we should make sure that the incentives do not expire this year, and we have asked for a 5-year extension. I think that the program that we have before you is a reasonable balance among the components of the total force.

When we look at our recruiting budget, we look at it in terms of a totality to make sure that we fulfill both the goals of the active military and of the Reserves. As I pointed out in my opening remarks even though the Reserve and the Guard met their end-strength last year, a couple of the components had some trouble in meeting their recruiting goals.

Mr. Montgomery. Thank you.

The Chairman. Mr. Skelton.

Mr. Skelton. Your testimony includes no reference to reform or change of pensions for the military, but you do make reference to reform or change of pensions for the civilians.

Is that not correct?

Dr. Korb. That is an administrationwide proposal. We in the Department are part of that. We have the largest number of employees.

Mr. Skelton. But you have not chosen to touch the military pension question?

Dr. Korb. That is correct.

Mr. Skelton. Were you here last year, and the year before, and the year before that when questions were asked asking you to come forward with some recommendations and thoughts; and I am sure that you have thought of it a few times in the last several years, have you not?

Dr. Korb. I think about it nearly everyday.

Mr. Skelton. All right. As you know, I feel very strongly about getting good people in, keeping good people in, and having the finest pension system in the world. But there are an awful lot of people in the country that question this. And it would certainly be helpful for us on this committee to take a look at it rather than it being done through the budget process as has been done in the past.

Can we expect to see any recommendations from you?

Dr. Korb. Well, Congressman, I make my recommendations to the Secretary of Defense. The Secretary of Defense consults with the Joint Chiefs of Staff before forwarding his recommendations to the President. I can tell you, and I have testified to this already before the Senate, that we did what I think is the finest analysis of the military retirement system in the fifth quadrennial review of military compensation. In fact, General Sherman sitting right behind me was the staff director on it, and I think that it is the finest analysis. And we showed——

Mr. Skelton. I remember his testimony before, yes.

Dr. Korb. We showed in that particular document the impact on force structure of all of the recommended changes. And we presented at the end of that document a number of things that could be done that would save money in the long term, and give us the force structure that we needed.

There was a feeling on the part of the people in the Pentagon that, had we presented that particular proposal to the Congress, you would have taken the bad parts and not given us the good parts. Because if you remember, what we suggested reductions in COLA for those under 62, reduced annuity if you retired at 20 years, but an early withdrawal to offset that. And the early withdrawal would not have made up for the benefits that you were giving up.

The feeling was if we could get some guarantee that people would look at it as a package we might support it. And I now have to respond to Senator Wilson on the Senate side who held a hearing on retirement the other day, and said, "Well, if we could guarantee we would take it as a package, would that change your particular position?"

I would also like to point out that there have been changes in the retirement system over the past couple of years. For example, we have no COLA this year we have had half COLA for the 3 previous years. If one were to assume a half COLA for the next 20 years for people below 62 in the military retirement system, and assume a 5-percent inflation rate, that is a real reduction in the value of the military retirement system of 25 percent.

The high three that was put in for people coming in after September 1980 is a reduction of about 12 or 13 percent.

My personal opinion is that any of the people that get checks from the Government in one form or another are not going to be guaranteed for the foreseeable future a COLA. So in effect, you are already kind of implementing one of the recommendations of the quadrennial review.

My concern is that whatever is done be done in a comprehensive manner.

Mr. **Skelton**. But it would help to have some recommendations from you to do this. You are your own worst enemy on this.

Dr. **Korb**. I know exactly what you are saying.

Mr. **Skelton**. Let me go on to something else. I think that you understand my point. PCS. You were saying and I think very aptly so that moving expenses are pretty much soft or often coming out of the men and women who are being transferred.

What would you think about this. Taking from the PCS account an increase in the moving expenses which would cause you to have less PCS moves, but put a ceiling on it. Whatever that ceiling may be, the old ceiling or one that we would establish. Could that not be done?

You know, we took several million dollars, I cannot give the exact figure, out of the PCS account 2 years go, and I am not sure that it made any significant difference at all.

Mr. **Korb**. In fact, the Congress over the last couple of years that I have been in this job has cut the PCS.

Mr. **Skelton**. That is right, with my help. But answer my question. What about going ahead and increasing those moving expenses and all of those expenses that go with it, and take it out of—in other words, slow the rate of movement down.

Dr. **Korb**. We are getting better in that area, probably not——

Mr. Skelton. Answer my question.

Dr. Korb. Well——

Mr. Skelton. Answer my question.

Dr. Korb. I think that you would have to tell me exactly how much money you were going to take out, because if you take a look at our PCS account, you will find that 83 percent of the costs are associated with assessions, training, separation, and rotational moves. So in effect, there might not be that much room for maneuver. We are really working on the other 17 percent to try to extend the tour lengths.

But if you would give me an amount, we perhaps could work it.

Mr. Skelton. Let us do better than this. Why do you not give us a recommendation.

Dr. Korb. OK, I would be happy to.

Mr. Skelton. Would you?

Dr. Korb. Certainly.

Mr. Skelton. I would appreciate it.

[The following information was received for the record:]

PCS Moves

Using expenditure ceilings as a means for controlling PCS moves instead of addressing the factors that influence our PCS program will only result in further problems, problems that the Department and the Congress will have to face. Reducing accessions will provide economies today; however, in the outyears the Military Departments will be faced with shortages in their key midgrade management areas. Reducing training movers will result in decreased experience levels. Unit moves are tied to national strategies and, as such, they cannot be reduced. Reducing operational and rotational moves will result in manning voids and, in some cases, involuntary overseas extensions. Separation moves can only be reduced by increasing retention, which means increasing pay and bonuses.

The bulk of the PCS program is related to bringing Service members into the Armed Services, providing for their return to civilian life, or moving them to and from overseas assignments. Nearly 83 percent of the PCS moves and 73 percent of the PCS costs in fiscal year 1986 will be associated with accession, separation or rotational moves. Training moves will represent 5.5 percent of the PCS moves and 5.7 percent of the PCS costs in fiscal year 1986, and are driven by the need to acquire requisite skills. Of the six different types of moves, the Military Departments can only control a portion of the operational moves—for the most part these moves, which represent 10 percent of the PCS program and 13 percent of the PCS costs in fiscal year 1986, provide the Military Departments with the capability to balance their manning levels.

Only 31.1 percent of the Service members move each year, equating to an average tour length of over 38 months. When it is considered that the 561.1K moves include those associated with 12-month unaccompanied tours and training courses of much shorter duration than three years, it becomes evident that there are appreciable numbers of Service members remaining at one installation for considerably more than 3 years.

My bottom line, Mr. Skelton, is that there is very little room left for economies. I believe we are at the cutting edge—any further reductions will have an adverse impact on retention and readiness.

Mr. Skelton. You are asking for some 19,052 additional civilians for 1986; is that not correct?

Dr. Korb. That is correct, sir.

Mr. Skelton. How many of those will be assigned to headquarters-type staffs?

Dr. Korb. I do not have the exact figures. But by and large, most of them are going to be out fixing planes, and ships, and tanks. They are primarily in the industrially funded activities, from which the ceiling was lifted a couple of years ago.

But I would like to make a point on that. What has happened in the past is that we have had manpower ceilings in the civilian area. But we have had money available in the O&M accounts to do the work, and we have not been able to hire the civilians. So what we did was work overtime with temporaries.

I would say that you need to give us a task, and you need to give us the money, and let the base commanders and the field commanders decide how many people that they need. We are giving you an estimate of what we think is the number of people that will be on the payroll as a result of work load.

Mr. **Skelton**. A couple of years ago, we put a ceiling, or there was a substantial cut in the numbers or moneys for headquarters throughout the military. And to the best of my knowledge, I have been able to see that you did that. But the working groups of task forces are in the same room under the same people but under a different title were doing the same work. Needless to say, that concerns me. That is getting around Robin Hood's barn the wrong way.

Do you know about this?

Dr. **Korb**. No. Let me put it this way, I do not know of any specific examples, but I have been in governments and bureaucracies long enough to know that people can do things to frustrate the attempts. All I can tell you is that our policy guidance has been very strong not to do it. And if in fact it has been done, it should not have been done.

Mr. **Skelton**. We are going to do our best to put some language in this year so that cannot be done.

Thank you, sir. I appreciate your coming over.

Mr. **Skelton**. Mr. Bateman.

Mr. **Bateman**. Thank you, Mr. Chairman.

Mr. Secretary, your recommendation for the general pay increase for military creates perhaps some concern, and some say a lack of reality in the face of a recommendation for a 5-percent decrease for civilian employment. Recognizing the difference between military service and all of the things that go with it, I can understand that it is not irrational to propose a difference, but there are some political realities that also have to be dealt with.

I am very interested in looking at whether or not there is a tradeoff with perhaps even somewhat lesser amounts of money applied selectively to retention as opposed to an across-the-board increase.

Have any studies or any analyses been made that might anticipate desires of people like me for such information?

Dr. **Korb**. Well, we can furnish you the data. I think that the real question that you have is a philosophical question. If we were to put the raises into the areas where we had the greatest shortages or the greatest lure to our people to leave the service, you could end up with a pay system in which you would pay the people who are going to fight the least, because they do not have outside skills.

[The following information was received for the record:]

BONUSES

There have been studies indicating that selectively targeted incentives, such as reenlistment bonuses, are between three and ten times more efficient than across-the-board pay raises in increasing retention in selected areas, at the margin. The reasons for this greater efficiency are not difficult to understand. The reenlistment bonus, for example, places the incentive precisely on the skill in which an increase in retention is desirable, and at the points within that skill where individuals are making their career decisions. We do make effective use of these very efficient incentives. There are limitations, however, on the use of selective incentives. First, to take the case to the extreme, we would not want a military pay system that was simply a series of reenlistment bonuses at career decision points. We do not observe such pay systems in the private sector, for example and the case for not paying this way is even stronger for military personnel than for private sector employees. Inherent in each military skill is an overlapping of purely military duties and military occupational job requirements. When this fact is considered, along with the commonality of the unique conditions of military service, we believe that a pay system based strictly on skill is inappropriate for the military. Second, in a perfect world, a military pay system which has much greater differentiation in pay by the supply and demand conditions within each skill would undoubtedly be more efficient. However, this assumes that the information required to achieve this "perfect" pay differentiation is without cost. It is not. In the presence of costly and imperfect information, it makes sense to use "rule-of-thumb" measures to determine military pay raises, such as matching average pay growth in the civilian sector, in order to remain reasonably competitive.

So I think that we need to have a pay system that pays everybody a fair wage, fair depending on his grade. And we need special and incentive pays to deal with particular situations where you have people who for one reason or another are attracted on the outside. But those pays ought to be able to be turned on and off as you meet the conditions in the outside markets. So in fact, we are already doing that.

And I can understand where you might say, "Why do you want to give 3 percent to everybody? Just give it to certain people." I would say that what we want to do——

Mr. BATEMAN. Well, let me interrupt to say that that is not what I would desire to do. In an ideal world, I certainly could not criticize the statement that you just made as to what is most desirable. But the world we live in is not nearly so ideal as we would like for it to be.

Dr. KORB. I understand. But my point is if in fact we are trying to keep up people's buying power, we ought to consider everybody. I would like to make a comment if I can about civilian and military pay, because I understand that since we have half of the civilians in the Federal Government, there are going to be comparisons made.

I think that we need separate pay systems for these groups. I think the way that we tie them together now is not correct. They are different systems, they have different needs, and we ought to have for both of them a system that gets and keeps the people that we want at the lowest possible cost to the taxpayer.

By comparing them and trading them off, and giving one a raise when the other gets it or whatever, we end up not operating very efficiently. I think that we need to take a look at each of the systems on its own merits.

I think that it is also important to point out that even though we in the Department have half of the civilians in the Federal Government, we do not determine the wage rates. We make recommendations on military pay, not civilian pay.

Mr. BATEMAN. Mr. Chairman, if I may, a further and more narrow question. Although I would like to have the benefit of what might be done under that approach, I am not saying that I am sold that it is the wisest and best. The other question that I have relates to your statement and one made at last week's hearing about the shortage in nuclear trained naval officers and your aviation officers.

Would I be correct that the more acute problem is in the nuclear capability as opposed to the aviators?

Dr. KORB. Well, the nuclear problem is the longer standing problem. The aviation problem has developed in the last years. The airlines have begun hiring again. And we see that kind of as a temporary phenomenon where the nuclear problem is a more long-term problem.

Mr. BATEMAN. Well, my followup question was going to be what is the projection that you are working with in reference to the airline situation; you do apparently expect them to become somewhat less competitive with you in the future than they have been in the recent past?

Dr. KORB. Well, they were not very competitive with us until about a year ago. Now they are becoming competitive. We expect it, again based on our best analysis to last for another year. The real problem is with the Navy. The Air Force is somewhat affected, but not as greatly. And that is why we have asked for increased bonuses for naval aviators.

Mr. BATEMAN. Thank you, Mr. Chairman.

The CHAIRMAN. Sonny, do you have another question?

Mr. MONTGOMERY. Thank you, Mr. Chairman.

To follow up on Mr. Skelton's question about pensions. Mr. Secretary, a number of members have been receiving letters from military retirees that are concerned that we might implement in Congress a change in their pension programs. And just for the record, I do not think that we could do it anyway. And I think that Chairman Aspin agrees with me. We are not going back and tamper with those retired military, and you are not sending anything up here that would affect them in any way.

Is that correct?

Dr. KORB. That is correct. We would never send anything up that was not grandfathered. In other words, we would always protect the people in the system, because they have made lifetime decisions based upon certain expectations from the Government. And I think that you are quite correct that we would probably have some legal problems and certainly some morale problems if we were to try to do that.

Mr. MONTGOMERY. What about those who are now on active duty that have come into the service, what would be your feeling on that, give them options?

Dr. KORB. If we came up with the QRMC proposals that we had, we would give them a choice as to whether they wanted a different system. But certainly, we would not force those who have been in and reenlisted a couple of times, to take a new system, because they have made lifetime decisions based on certain expectations.

Mr. MONTGOMERY. I think that that would certainly clear it up. And I can speak for myself, that we are not planning to change either of the two of these areas that we just covered.

And, Mr. Chairman, I would like to ask unanimous consent that my full remarks would be put into the record.

The CHAIRMAN. Without objection.

Dr. KORB. On that subject, since I do not know if you are going to hold a special hearing on retirement, I would like to ask that my statement on military retirement to your colleagues in the Senate be put into the record.

The CHAIRMAN. We will do that, and we will get to some hearings I anticipate on the subject. So you may state your statement for the record again.

PREPARED STATEMENT OF DR. LAWRENCE J. KORB

Mr. Chairman and members of the committee. I welcome the opportunity to be here today to talk about the military retirement system. Although the subject has received considerable attention in the media recently, it has been studied, in varying degrees of depth, 10 times over the past 35 years and the debate over its merits has waxed and waned over the same period. In order to consider objectively the testimony you will receive today, I believe it would be helpful for me to present the basic facts about the system and then comment on the major criticisms that have been raised by various groups and individuals.

The most recent study of the military retirement system was completed by the Fifth Quadrennial Review of Military Compensation (5th QRMC). As you know, I was the director of this effort.

Of all past studies, it is the most comprehensive. It is also the only study that has clearly analyzed the impact of any changes to the system on the composition of the active forces. The 5th QRMC issued its report in January 1984 after over one year of intensive effort. Since the report bears directly on any informed evaluation of the military retirement system, I would like to refer to it from time to time in the rest of my statement.

THE MILITARY RETIREMENT SYSTEM

When people talk about the military retirement system, they are usually referring to the non-disability retirement sub-system for the active force. The other subsystems are the disability retirement system and the program for our Reserve forces not on active duty. These other two components of the total system differ in both objective and structure from the non-disability sub-system for the active force. I will confine my remarks to the non-disability sub-system for the active force, and for the sake of simplicity refer to it in the rest of my statement as the military retirement system.

The military retirement system is one of the basic elements of the total compensation system. It interacts with other elements of pay and benefits, and complements personnel management laws and policies to shape the personnel inventory to meet national security objectives. The system is designed to ensure that three vital needs are fulfilled. They are:

A. To maintain young, vigorous and mission-ready forces capable of operating efficiently both in times of peace and war by providing for a continuing flow of officers and enlisted personnel through the Services' required personnel structure;

B. To establish the choice of a career in the Uniformed Services as a reasonably competitive alternative by providing a measure of financial security after release from active duty for Service members and their families; and

C. To support a mobilization base of experienced personnel subject to recall to active duty during time of war or national emergency.

In order to fulfill its purpose, the military retirement system is structured to permit voluntary retirement after completion of 20 years of active service. It is also structured to provide for mandatory retirement at various tenure points beginning at 20 years of service for certain grades. In concert, the voluntary and mandatory features allow the Services to regulate the flow of personnel into, within, and out of the force to meet their force requirements. On the non-disability retirements last year, over 90 percent were voluntary.

Both the voluntary and mandatory aspects of the system are closely tied to the promotion system. Control of the timing and rates of promotion regulates the flow of retirements at various points beginning at 20 years of service. The voluntary mechanism permits the exit of members, subject to the discretion of Service Secretaries, consistent with their individual expectations of future advancement and other considerations which affect their taste for further service. The mandatory system permits the Services to remove from the ranks those individuals who are no longer as competitive for further advancement as their comtemporaries. The interactive nature of the system is described in more detail in the report of the 5th QRMC. In round numbers, about 20 percent of officers eligible to retire do so each year. By contrast, about 28 percent of the eligible enlisted members retire each year. The average age for officers at time of retirement if 46 with 23 years of service; the corresponding age and years of service for enlisted members is 42 and 22, respectively.

All retirements after 20 years of service entitle a member to retired pay equal to 2½ percent of final basic pay for each year of service. The maximum amount of retired pay is 75 percent of final basic pay—not total pay. This is true for all personnel on active duty on or before September 8, 1980. Personnel entering active duty after the date are entitled to the same multiple; however, it is applied against the high-three year average of an individual's basic pay instead of final basic pay. We estimate this reduces the overall average value of retirement for these personnel by about 13 percent, depending upon actual grade and years of service of the retiree.

Military retirement is, and has always been, noncontributory. Similarly, there is no vesting of retirement entitlement for service less than 20 years. Personnel who separate before they have served at least 20 years may effectively forfeit retirement credit for such service unless they remain active in the military reserve forces or enter federal civilian employment. In such cases, they may credit past active service in computing their retired annuity under applicable reserve or federal civil service retirement laws. In fact, these personnel are a primary source for manning our reserve forces.

Until October 1, 1984, the military retirement system was on a pay-as-you-go basis. On that date, the Department was required by law to budget for all future retirement costs. The unfunded liability of retirement costs up until that date was assumed by the Treasury and an amortization schedule will be established to liquidate the debt over a period of time to be determined soon by the Department of Defense Board of Actuaries. The current unfunded liability is estimated at $530 billion.

The first-year—fiscal year 1985—accrual cost to the Department of Defense was $17.0 billion; the fiscal year 1986 cost will be $18.2 billion. Under this funding system, the Department sets aside funds in the Treasury to take care of all future retirement costs. This funding system forces management to consider the cost of retirement in making resource trade-offs in the budget process.

This, in brief, is a description of the military retirement system. It is not simply an old-age pension plan as found in other sectors, nor was it intended to be. In form, structure, and purpose it is different from old-age income maintenance pension programs. There is no vesting, no capital accumulation, no deferred income provisions, no thrift features, and no matching supplemental plans. In short, it does not look, or operate, like a private sector retirement pension plan for a very good reason. It must serve national defense policy. It must respond to active force requirements, and provide sufficient incentive to permit the Services to retain the right kinds and right quality of members. Comparisons made to other systems become suspect unless there is a commonality of purpose and requirement. Lacking that, any direct comparison simply becomes one of form and structure, not substance.

COMMENTS ON CRITICISMS OF THE UNIFORMED SERVICES' RETIREMENT SYSTEM

One of the most underserved criticisms leveled at the Department of Defense is that it has done nothing to offer any changes to the system. We have been repeatedly told that if we do not make recommendations for change, the Congress will. The implication is that defense officials have done nothing but support the status quo. That assertion is not supported by the facts. In 1974, the Department submitted to the Congress a legislative proposal known as the Retirement Modernization Act (RMA). It was resubmitted in 1975. In 1979, the Department submitted the Uniformed Services Retirement Benefit Act (USRBA) to the Congress.

Most of those who argue for change do so because they believe the system is too expensive. They say we let people retire too early and that we pay them too much. Let me examine each of these arguments.

The argument that the system is too expensive begs the question—if it is too expensive, then how much is one willing to pay, and will what one is willing to pay buy the force readiness necessary? Those who make the argument but are not able to give a definitive, supportive answer to the question must then be asked on what grounds they make the charge. If I tell you that in shopping for a car I came upon one that I considered too expensive, I must know how much I am willing to pay and what trade-offs in performance I am willing to make. None of the critics who claim the system is too expensive have satisfactorily answered this question.

I believe it is important to note that even harsh critics of the military retirement system, including the Grace Commission, have concluded that military retirement should be better than private sector pension plans because of the unique nature of military service, and therefore a higher cost can be justified. Analyzed in terms of a percentage of pay, the military retirement system costs only 1.2 to 1.5 times more than the average private sector plan. Thse figures, developed by the 5th QRMC, have been corroborated by the Congressional Budget Office and the Congressional Research Service. It is unfortunate that erroneous assertions, such as the one made by the Grace Commission that the system is six times more costly than private sector plans, are continually quoted and accepted as fact. Such pronouncements are not only misleading, but create public concern and anxiety among members of the armed forces.

In addressing the cost of the system, we must remember that we made decisions in the past to build and maintain the largest peacetime standing force in our history. The result of these decisions is reflected now in the size of our retired population and its related costs. We currently have about 1.1 million non-disability retirees. Assuming current mortality experience, that number is expected to peak at about 1.3 million in 15 years and then level off. Over the past 30 years, growth in the size of the retired force has accounted for only 19 percent of the increase in retirement costs. Inflation accounted for 55 percent of the increase, basic pay raises accounted for 21 percent, and the remaining 5 percent was due to adjustments in retired pay. The fact is that we have a mature, stable retired population whose cost is expected to remain at less than 25 percent of the military personnel budget and about 6 percent of the DoD budget. Scare figures based on current-year dollars instead of constant dollars that have been used by some to discuss past or future cost trends are not useful and distort objective consideration of the relative cost of the system.

The Congressional Research Service, in its recent analysis of the report of the 5th QRMC, is correct in substantiating that there is relatively little that can be done to reduce Government outlays for retirement in the near term short of "brutalizing" those who have served. The fact is that we have a large, stable retired population that we have a legal and moral obligation to pay. The cost is part of the price for service rendered and for current and future readiness.

Let me now turn to the criticism that the system is too generous. Here are the facts.

Retired pay is often represented as 50 to 75 percent of final compensation. This is inaccurate. These figures are percentages of basic pay only. Retirees actually receive somewhere between 38 and 57 percent of their military compensation (basic pay plus quarters and subsistence allowances). Moreover, if one takes into account special and incentive pays which are included in the total pay that many of our people receive, percentages that retirees receive are lower than the 38 to 57 range.

Military retirement benefits are not lavish. For example, the typical retiree is an E-7 who receives about $950 in retirement income per month after 22 years of service. Over 48 percent of current retirees draw annuities that are below the poverty level for a family size of four. The 5th QMRC analysis showed that when they transition to civilian life, career military personnel initially tend to earn 20 to 27 percent less than similarly educated workers in the civilian community. Although this gap narrows over time, it is never made up, and lifetime losses amount to over 20 percent, on the average.

Few would argue that the military retirement system should not equal the best private sector plan. The nature of military service, which includes frequent moves, restriction on personal freedoms taken for granted in the private sector, family separation, and exposure to danger, merits a system that gives people the incentive to make these sacrifices. Yet, at least 10 percent of private sector plans are equal or better.

Another reality is that the present value of future benefits for retirees has already been reduced by 15-20 percent as a result of actions taken over the past few years. These include reduced cost-of-living allowances and the high-three year averaging for retirement computation.

Unfortunately, the myth that the system is overly generous continues to be prepetuated. The fact is that the system compensates our people fairly for past service and for remaining available for recall in time of need. With respect to this latter point, our mobilization plans include the recall of about 61 percent of retirees, thousands of whom have their recall orders in hand. These same retirees are also restricted by law in their post-service employment oppportunities. It seems to me that 38 to 57 percent of regular military compensation is not an inordinate amount to pay retired members for what the Supreme Court has characterized as "reduced pay for reduced levels of military service."

Before I conclude my remarks, I believe I should comment on a recent report issued by the Center on Budget and Policy Priorities—The Military Payoff (A Report on the U.S. Government's Most Generous Pension Plan), and the recommendations of the Grace Commission, because they both are common examples of the kind of criticisms leveled against the military retirement system.

The major point in the "military payoff" report is that military retirement outlays are larger than the Food Stamp program, Aid to Families with Dependent Children, and Supplemental Security Income. While this is an interesting point, it is not a benchmark from which one can draw any logical comparisons in measuring the value or worth of an earned annuity. I know of no private or public retirement program that is established and maintained based upon ratios with any of these social programs.

The report also alleges that the system "provides high levels of benefits to a small and largely affluent segment of society." It notes that "Sixty percent of all military retirement benefits go to the wealthiest fifth of all U.S. households." I do not see the relevancy of this point. It has always been the American dream to succeed. Starting at the bottom and working to the top in terms of job and income is worthy and honorable. I see no reason to penalize an individual who does this by reducing his or her earned retirement income to mirror the income of individuals in the lower-fifth bracket. When one examines the military retiree population, it is very evident that the majority have achieved rank which is commensurate with private sector senior supervisors and executives.

The report also alleges that the retirement system encourages young officers to retire early at the peak of their productivity. The fact is the individual is better off financially if he or she stays for 30 years. For example, an O-5 who retires at age 42 with 20 years of service, rather than at age 52 with 30 years of service, would have to earn, in addition to the retirement annuity, approximately $43,000 after taxes a year for 10 years after retirement to break even. Post-service earnings data indicate very few individuals retire and make that kind of money. The case of the O-6 is more dramatic: That individual would have to earn approximately $66,000 after taxes a year for the 10 years following retirement at 20 years to break even. The reason for a career short of 30 years obviously lies somewhere beyond financial motivations.

Also, the cost of a 30-year system would be higher than the cost of the current 20-year system. An analysis conducted by the 5th QRMC showed that such a system would substantially reduce the size of the current career force because fewer members would choose to stay beyond initial obligation. The cost of restoring the career force to the current level, coupled with higher active duty and retirement costs as a result of increased longevity and higher rates of retirement pay, would more than offset the shorter period on the retirement rolls in the 30-year system.

The Grace Commission, based on faulty assumptions on cost that I addressed earlier, recommended a 75 percent reduction in the value of military retired pay with complete disregard of the impact such a reduction would have on readiness. Like the Center on Budget and Policy Priorities, the Grace Commission viewed military retirement as strictly a social program. According to the 5th QRMC analysis, the Grace Commission's proposal would reduce the career force of officers by 15 percent and the career of enlisted personnel by 22 percent. These reductions, unless offset in other forms of compensation, would be disastrous. This conclusion has been verified by the Congressional Budget Office.

SUMMARY

In summary, I have described the Uniformed Services' retirement system and addressed some of the criticisms that have been frequently raised about the system.

The truth is, there is nothing deplorable about the military retirement system, and it is far less costly, compared with private systems, than its critics contend. Rather, it is a rational solution to what is perhaps that most critical problem facing the military: manpower readiness.

The old saying that "You get what you pay for" is clearly borne out by our experience with manpower readiness in recent years. In the late 1970s, the armed forces struggled to recruit and retain as many high-quality personnel as they needed. In fact, there was a hemorrhage of talent that depleted the ranks of experienced pilots, noncommissioned officers in the Army, and petty officers in the Navy.

These problems have been largely solved through improved, competitive compensation—founded on a stable retirement system—that has restored the attractiveness of a military career. We must ensure that, as the military nears desirable levels of manpower readiness, we do not reverse course by eroding the very foundation of this recovery. To do so would be to jeopardize the crucial investment we have made over the last four years.

Finally, let me say that we faced very difficult decisions in formulating the budget for fiscal year 1986. These decisions, which took into account national fiscal realities, resulted in a scaled-down compensation program which included a 3 percent pay raise advanced to July 1, 1985, that would not close but only slow the rate of growth in the gap between military and private sector pay. This, coupled with the decision not to provide a cost-of-living increase to retirees and the more difficult employment market we are beginning to encounter, led us not to make a recommendation for changes to the retirement system this year. In view of the uncertain future of the pared-down entitlements we have submitted to the Congress for consideration in our fiscal year 1986 budget, we believe this is prudent. This does not mean that we are unalterably opposed to change. However, we believe that any responsible recommendation must be weighed primarily on its impact on readiness. It must also honor the commitments made to those currently serving on active duty and those on the retired rolls.

Mr. Chairman, that concludes my statement. I would be happy to entertain any questions.

The CHAIRMAN. Are there any other questions?

[No response.]

The CHAIRMAN. Thank you, Larry. Thanks for coming.

Our next witness for this morning is a newer friend, a person who has been with us less than Larry has, but who is a person who a lot of us have come to know and admire very much. We welcome Hon. James Webb, the Assistant Secretary for Reserve Affairs.

Mr. WEBB. Thank you, Mr. Chairman.

The CHAIRMAN. Why don't you proceed with your statement and we then will have some questions.

Mr. WEBB. I have a short oral statement, and then I would like the longer one to be entered into the record.

The CHAIRMAN. That would be fine.

STATEMENT OF HON. JAMES R. WEBB, ASSISTANT SECRETARY FOR RESERVE AFFAIRS, DEPARTMENT OF DEFENSE

Mr. WEBB. It is a privilege to make my first appearance before your subcommittee to present an overview of the administration's budget for National Guard and Reserve forces. Before beginning, I would like to acknowledge the significant contribution that this subcommittee has previously made with the support of the Department's endeavor to strengthen and enhance the posture of our Reserve components. And as you mentioned earlier, Mr. Chairman, we have a great deal of respect for the work and views of Congressman Montgomery with whom I spent about 4 years serving on the other side of this rostrum as a counsel on the Veterans' Committee.

I believe that the Reserve components represent tremendously improved forces-in-being, that they are well on the way to being fully capable of responding when needed. However, there is much more to be done in the areas of manning, equipping, and training to further develop and obtain the capability required of our Reserve components.

I look forward to working with you to meet the goal of enhancing the capabilities of the Guard and the Reserve, so that they may meet the burden of sharing a larger role in this country's day to day defense.

At my confirmation hearing in the other body, I discussed the need for improved public understanding of the vital role of the Guard and Reserve. We have begun a concerted effort to assist the components in communicating this important message to audiences including the active force, the Reserve component members and their families, public opinion leaders, and the public in general.

Public support which can only come from public understanding is essential to morale, esprit de corps, and ultimately to readiness itself.

Along the lines of what Mr. Montgomery was mentioning earlier, we believe that one of the most important audiences are the families themselves. And we plan to field a comprehensive survey of all Guard and Reserve components early in 1986. Such a survey has never been done. It will provide vital information for a wide range of Reserve programs and concerns. And with respect to families, it will provide information for structuring benefits and programs that will enhance family support and understanding.

This needed planning data will also ensure that necessary support for Guard and Reserve family members will be provided upon mobilization. We have seed money in this year's analysis budget for this project.

I serve as the principal staff assistant to the Secretary of Defense with specific responsibility for overall supervision of all Reserve component matters in the Department of Defense. We organized the office last year with a principal deputy assistant secretary and three other deputy assistants. The other deputies function in the vital areas of manpower and personnel, readiness and training, and material and facilities.

In addition, we have created three directorates which report directly to me in the area of programs, plans and budget, analysis, and mobilization, policy, and plans.

I believe that we have created a unique staff inside the OSD level of the Department of Defense. I do not know of any other staff like it. We have representatives from the military side of all seven Guard and Reserve components, and that includes the Coast Guard Reserve, all four regular military services, and both types of civilian personnel.

I would like at this point to make sure that the record reflects my appreciation for the work that these people have done in a very intensive 10 months that we have spent building the staff, preparing for budget issues, and preparing for these hearings.

An indication of our capability to effectively operate throughout the Department of Defense as a new ASD staff can be measured to some extent by our participation on various boards, groups, and committees within the Department of Defense. A year ago, this office had membership on five of these bodies. Today, the number is 44.

There are a number of other areas that could be mentioned including personnel strengths, full-time support personnel, the IRR, the Guard and Reserve equipment, and our legislative initiatives. They are in the longer version of my statement. And at this point, I would be pleased to take any questions that you have, Mr. Chairman.

PREPARED STATEMENT OF HON. JAMES H. WEBB, JR.

Mr. Chairman and members of the subcommittee:

It is a pleasure for me to appear before this committee and present an overview of the National Guard and Reserve Forces of the United States. However, I would first like to acknowledge the significant contribution that this subcommittee has made in its support of the Department's endeavor to strengthen and enhance the posture of our reserve components. I believe at this point the reserve components represent tremendously improved forces-in-being which are well on their way to being fully capable of responding when needed. While I am most pleased with the progress that has been made since 1980, there is much more to be done in the areas of manning, equipping, and training to further develop and attain the capability required of our reserve components.

We have recognized that conditions dictate that the Guard and Reserve should accept a larger role in this country's day-to-day defense. Reserve component missions and force structure consequently are being modified to reflect this expanded role. The following discussion outlines the progress we have achieved, plans that are underway, and some of the remaining shortfalls.

Army National Guard and Army Reserve

In certain instances, as a result of the "first to fight, first to be equipped" policy of the Department, early deploying Army National Guard and Reserve units are receiving modern weapon systems based on deployment planning rather than component status. During FY 1984, more than $900 million worth of new equipment was issued to the Army reserve components. In FY 1985 more than $1.4 billion in new equipment is planned to be issued. This represents new equipment including the M-1 tank, UH-60 helicopter, Bradley Fighting Vehicle, M198 howitzer, and other modern support vehicles.

Modification of the AH-1G helicopters to the AH-1S will provide the reserve components with a modern attack helicopter.

Helicopter attack capability will also be improved with the fielding of two AH-64 Apache helicopter companies in the National Guard during FY 1987. The AH-64 is the Army's first attack helicopter specifically developed for the day/night, adverse weather, anti-armor mission.

The missile armament posture of the Army National Guard will be significantly enhanced with the delivery of the TOW-2 missile system commencing in FY 1986. This latest improvement to the TOW missile system will give the weapon a greater and more diverse kill capability. It can be employed on the AH-1S attack helicopter, the Bradley Fighting Vehicle, the improved TOW Vehicle, and can be used by dismounted infantry.

Efforts are also ongoing to improve the air defense capability of the Army National Guard. The Army has completed a careful review of the Army National Guard Air Defense Artillery modernization. As instructed, the Army will phase out the U.S. ROLAND only after the majority of National Guard air defense battalions have completed modernization and the remainder have been scheduled to undergo modernization. The Army plans to have this accomplished by FY 1989. This plan will allow an expeditious but systematic modernization of the eight National Guard DUSTER Battalions, while maintaining total Army combat capability. This will require an equipment transfer from the active component to reserve component units and the acquisition of additional equipment. Accordingly, the Army plans to acquire 36 CHAPARRAL fire units with support equipment and missiles in FY 1987 for delivery in FY 1989. This has all been woven into the National Guard air defense modernization plan and should cause minimal disruption to ongoing modernization initiatives.

The number of Reserve roundout brigades filling Army divisions increased from four to five in FY 1983. The number of National Guard divisions increased from eight to nine during FY 1984, with a further increase to ten planned for FY 1986. The organization of the new Mechanized Division will continue during FY 1985 and a Light Infantry Division will be activated in

FY 1986. Beginning in FY 1985 and continuing through FY 1986 the three National Guard heavy divisions will convert to the Division 86 design.

Increased National Guard and Reserve participation in field exercises has improved unit and individual readiness. For example, the number of Army Guard and Reserve units participating in training with overseas deployed forces increased from 117 in 1980 to 400 in 1984. Reserve component participation at the Army's National Training Center is being increased. In FY 1985 five reserve component battalions are programmed for training there. The National Training Center provides these units with the most rigorous combined arms training experience possible short of actual war, and provides live fire training, with opposing forces, under realistic scenarios. To further enhance Guard and Reserve field training, the Army has developed a program to provide the Multiple Integrated Laser Engagement System (MILES) equipment, a tactical engagement simulation system, to the reserve components at their normal maneuver sites.

Guard and Reserve maintenance personnel training on state of the art equipment still remains a major problem. Consequently, steps are being taken to provide hands-on training and instruction on modern force equipment. The Army is planning to establish Regional Maintenance Training Sites to improve the readiness of reserve component maintenance personnel through military occupational specialty, transition, and sustainment training programs.

Naval Reserve

Real progress has been made toward the modernization and integration of the Naval Reserve as a full-fledged partner in the Total Force. Implementation of Total Force and Horizontal Equipment Integration policies is now providing the Naval Reserve with equipment compatible with that of the active Navy. With these policy implementations, today's Naval Reserve is an essential component of our Navy and our national defense posture.

Modernization of the Naval Reserve Surface Force continues with the acquisition of two more FFG-7 Perry class frigates during FY 1985. With four additional FFG-7s to be transferred during FY 1986, the Naval Reserve Surface Force will have a total of six FF-1052 Knox class and nine FFG-7 Perry class frigates at the end of FY 1986. This puts us past the halfway point of attaining 26 modern ASW ships in the Naval Reserve Force before the end of the decade. The up-to-date SH-2F helicopter will be provided and employed onboard the frigates to round out their ASW capability.

Improvement of the Naval Reserve Surface Force will continue as the AO-177 class oiler enters the force. In addition, the Naval Reserve Force will receive eight of the new construction MCM-1, Mine Countermeasures Ships and all 17 of the new MSH-1, Minesweeper Hunter Ships.

The newly implemented Craft of Opportunity concept for an improved harbor clearance capability is well under way. Six Craft of Opportunity units will join the Naval Reserve Force during FY 1985. Six more units are programmed for FY 1986. This concept provides for utilizing ships received by the United States Government as a result of a variety of legal actions and converting them for use in harbor clearance at designated ports. Three repair ships will also enter the Naval Reserve Force in FY 1986, and two new Reserve Mobile Construction Battalions and a new Mobile Inshore Undersea Warfare Unit will be organized.

Modernization of Naval Reserve aviation is also in full swing. The F-14 fighter is being introduced to the Reserve Carrier Air Wings during FY 1985 and FY 1986. The Naval Reserve is also transitioning from the A-7B into the more modern A-7E attack aircraft. Naval Air Reserve squadrons have already begun training in the new F/A-18 aircraft, and actual assignment of the aircraft to these squadrons will commence in FY 1986. The Squadron Augmentation Unit concept initiated in FY 1984 has also been successful in enhancing the training of Reserve augmentation aircrews in the same A-6, F-14, P-3C and E-2C aircraft employed by their gaining squadrons. Expansion of this program is planned.

The Navy's only combat search and rescue squadron, a Reserve squadron, will be using and evaluating the two UH-60 helicopters authorized and funded by the Congress last year.

The TACNAVMOD upgrade for the P-3A and B maritime patrol aircraft will be completed in FY 1986, and upgrading of the AQA-7 acoustic processor on these aircraft will continue. These improvements will provide us with an effective near term reserve component maritime patrol force. However, many of these P-3A/B aircraft will soon be reaching the end of their normal service life, and will require expensive service life extension programs (SLEP's). Concurrently the Soviet submarine force is undergoing extensive modernization, and our active patrol aircraft force is transitioning to the state of the art P-3C. Consequently, to maintain the capability of our Reserve force in the future, as well as providing active and reserve compatability, future reserve component transitions to the P-3C aircraft must be anticipated. This is especially important, since the Naval Reserve provides one-third of the Navy's total maritime patrol capability. As a preliminary step toward the future transition of the Naval Reserve into the P-3C aircraft and to assure fully qualified aircrew augmentation for active squadrons, the first of three Master Augmentation Units has been established. These units allow Reserve aircrews to receive hands-on training with the P-3C.

During FY 1985 the last of the C-118 aircraft will be retired and the final increment of the used DC-9s will be procured for the Reserve Transport squadrons. This endeavor represents a major milestone toward improving the training readiness of the Naval Reserve.

Marine Corps Reserve

The Marine Corps Reserve has changed its character in recent years. Once viewed primarily as a source of pretrained manpower for active unit integration, the Selected Marine Corps Reserve today trains as highly effective combat units. Today, Marine Corps reserve units are committed to active force commands in contingency planning. In concert with the "first to fight, first to be equipped" policy, the Marine Corps Reserve will receive the major new ground equipment and weapon systems being introduced into the Marine Corps inventory.

The Marine Corps Reserve has made great strides in its mobilization capability so that trained units and individuals can be rapidly assimilated into a total mobilization effort.

To keep the Marine Corps Reserve adaptable to changing mobilization requirements, numerous structural changes are occurring. These include activation of the final portion of the 4th Medical and Dental battalions, a light armored vehicle (LAV) battalion, a Target Acquisition Battery, and the reorganization of infantry and direct support artillery battalions. To take advantage of the extensive Alaskan arctic training environment, the first Selected Marine Corps Reserve unit will be activated in Anchorage in FY 1985.

Modernization of the Marine Corps Reserve aviation wing is proceeding according to plan. The F-4 squadrons are presently transitioning to the more modern F-4S fighter, and a third F-4 squadron was activated during FY 1984. New KC-130T tanker aircraft have been provided to the Marine Corps Reserve and plans are being made to establish an additional KC-130 squadron in FY 1986. Although progress has been made in aviation modernization, the Marine Corps Reserve aircraft are aging, and there are still shortages in attack helicopters and aerial tankers. Marine long term acquisition plans are addressing the shortages, and further modernization transitions are planned, following the active force upgrade to F/A-18 and AH-1T aircraft.

Combat training for the Marine Corps Reserve has taken a new course which no longer focuses on the unit home centers. During FY 1984, Marine reservists trained in exercises around the world, which continued and increased their training integration with the active force during major exercises. The first brigade size landing since the Korean War was conducted with a Marine Reserve unit during FY 1984.

Air National Guard and Air Force Reserve

As with the other service reserve components, the combat capability of the Air Reserve Forces -- consisting of the Air National Guard and the Air Force Reserve -- continues to improve. By augmenting the Active Air force in the performance of their missions, we are making significant contributions to National Security and to total force readiness. The commitment for continued upgrading, modernization, and expansion of the Air Reserve Forces is strong.

The Air National Guard and the Air Force Reserve provide 34 percent of the Air Force tactical fighter capability and are currently acquiring the highly capable F-16 fighter aircraft and the upgraded F-4E. In FY 1986 the F-15 air superiority fighter will enter the Air National Guard inventory. The Air Reserve Forces are also acquiring the C-5 and C-141 strategic airlift aircraft, as well as new C-130H tactical airlift aircraft. The transfer of strategic airlift aircraft to the reserve components began during FY 1985 with the formation of one C-5A squadron in both the Air National Guard and the Air Force Reserve. To enhance the airlift capability two C-141B squadrons will be established during FY 1986. Additional C-5A and C-141 aircraft will be transferred to the reserve components as the active force acquires the C-5B and C-17 aircraft, and long-range plans call for the assignment of the C-17 to the Air Reserve Forces early in the next decade.

An aggressive modification program for existing Air Reserve Force aircraft is also ongoing. Enhancements in this area include equipping the F-4 aircraft with advanced AIM-9L air-to-air missile capabilities, low smoke engines, and improved radar warning receivers.

In an effort to provide meaningful and realistic training the Air Reserve Forces' participation in RED FLAG, overseas, and joint exercises has increased by 30 percent since 1980.

Coast Guard Reserve

Although the Coast Guard Reserve is not a part of the Department of Defense in peacetime, the Coast Guard Reserve is a vital element of the Reserve forces. Thus, I would like to make a few comments in regard to that force.

The Coast Guard Selected Reserve strength increased to 12,300 personnel in FY 1984. Continued growth is projected during FY 1985 to attain the average strength authorization, of not less than 12,500.

Like the other reserve components, the Coast Guard Reserve is emphasizing mobilization readiness through integration with the active forces in exercise environments. The Coast Guard Reserve has participated with both active and reserve forces of the Army, Navy, and Marine Corps in a number of interservice exercises. Coast Guard Reservists also enhanced their mobilization readiness training through the augmentation of the active Coast Guard peacetime missions, having dedicated over 1.5 million Reserve manhours in FY 1984. Total force readiness exercises, interservice exercises, and active component mission integration will continue to play a valid and major role in mobilization readiness training. Particular emphasis will be placed on training Reserve small boat crews and forces that mobilize to Coast Guard Cutters.

Manning/Equipping/Training the Reserve Forces

Effective fighting forces depend on adequate manning, modern equipment, and proper training. The requirements apply equally to the active and reserve components. Sense of pride and unit identity also play a large part in ultimate capability of a unit. Thus, it is essential that sufficient funding be made available to man, equip, and train the Guard and Reserve forces to insure that they can be integrated into the total military structure as fully functional units or as trained individuals, and as equal partners. I ask your support for the Guard and Reserve programs we have presented to you in the FY 1986 Budget, so that we can continue our progress.

The next portion of my statement will deal with specific estimates related to the National Guard and Reserve in the FY 1986 Budget Request.

Appropriation Summary

Table 1 depicts the Total Obligational Authority (TOA) by reserve component.

Table 1
TOA, $ in Millions

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
ARMY			
Military Personnel:	3,343.5	5,232.9	6.054.2
Reserve Personnel, Army	1,322.0	2,091.0	2,394.4
National Guard Personnel, Army	1,847.9	2,908.7	3,430.8
Active Component	173.5	233.2	229.0
Operation and Maintenance:	1,868.8	2,172.0	2,384.8
O&M Army Reserve	691.6	732.7	779.6
O&M Army National Guard	1,177.2	1,439.3	1,605.2
Military Construction:	122.3	167.9	172.8
Mil. Con. Army Reserve	54.7	69.3	70.7
Mil. Con. Army National Guard	67.6	98.6	102.1
Procurement:	1,639.3	2,780.4	2,452.3
Total Army	6,973.9	10,353.2	11,064.1
NAVY			
Military Personnel:	896.8	1,336.7	1,533.0
Reserve Personnel, Navy	757.6	1,156.1	1,353.6
Active Component	139.2	180.6	179.4
Operation and Maintenance:	623.8	828.8	954.5
O&M Navy Reserve	623.8	828.8	954.5
Military Construction:	18.8	50.3	41.8
Mil. Con. Navy Reserve	18.8	50.3	41.8
Procurement:	289.4	575.8	356.6
Total Navy	1,828.8	2,791.6	2,885.9

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
MARINE CORPS			
Military Personnel:	259.9	387.6	413.5
Reserve Personnel, Marine Corps	177.2	271.8	290.0
Active Component	87.7	115.8	123.7
Operation and Maintenance:	52.1	58.8	61.6
O&M Marine Corps Reserve	52.1	58.8	61.6
Military Construction:	11.8	10.5	10.0
Mil. Con. Navy Reserve	11.8	10.5	10.0
Procurement: (included in Navy)	-	-	-
Total Marine Corps	323.8	456.9	485.1
AIR FORCE			
Military Personnel:	998.3	1,522.1	1,664.0
Reserve Personnel, Air Force	387.7	582.9	622.5
National Guard Pers., Air Force	577.9	892.3	995.1
Active Component	32.7	46.9	46.4
Operation and Maintenance:	2,583.7	2,710.1	2,737.8
O&M Air Force Reserve	783.0	881.3	907.7
O&M Air National Guard	1,800.7	1,828.8	1,830.1
Military Construction:	150.1	179.0	204.0
Mil. Con. Air Force Reserve	41.2	67.8	66.8
Mil. Con. Air National Guard	108.9	111.2	137.2
Procurement:	1,266.4	2,097.3	1,211.7
Total Air Force	4,998.5	6,508.5	5,817.5
OTHER			
Guard and Reserve Procurement:	176.0	380.0	-
Total Other	176.0	380.0	-

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
TOTAL DOD			
Military Personnel:	5,498.5	8,479.3	9,664.7
Reserve Personnel	2,639.5	4,101.8	4,660.5
National Guard Personnel	2,425.8	3,801.0	4,425.9
Active Component	433.1	576.5	578.3
Operation and Maintenance:	5,128.4	5,769.7	6,138.7
O&M Reserve	2,150.5	2,501.6	2,703.4
O&M National Guard	2,977.9	3,268.1	3,435.3
Military Construction:	303.0	407.7	428.6
Mil. Con. Reserve	126.5	197.9	189.3
Mil. Con. National Guard	176.5	209.8	239.3
Procurement:	3,371.1	5,833.5	4,020.6
Total DoD	14,301.0	20,490.1	20,252.6

Note: Detail may not add due to rounding.

Military Personnel

The military personnel accounts increase by $1.2 billion in FY 1986 primarily for:

- Pay Raise. Annualization costs of the January 1, 1985 and the July 1, 1985 pay raise are estimated to be $83 million and $160 million, respectively.
- Paid Drill Strength. Costs for paid drill strength increase by approximately $185 million. The additional costs are attributed to an increase in paid drill strength of 23,000, and increases for travel, subsistence, and inflation. This increase will enhance mobilization readiness, and is in recognition of the increased role of the National Guard and Reserve components.
- Basic Training. An increase in paid drill strength requires new accessions. They will complete initial active duty for training at an estimated cost of $73 million.
- Full-Time Strength. Cost for this program increase by approximately $440 million. End strengths increase by 19,600. One of the most important factors influencing readiness is the number of full-time personnel available to provide day-to-day management, administration, training, equipment maintenance, and similar essential tasks.
- School and Special Training. This type of training provides for pay, allowances, and travel for short tours of active duty. Types of tours include unit conversion training, pilot training, career development, exercises, conferences, management support, etc. The increased cost for this training in FY 1986 is estimated to cost approximately $85 million.
- Educational Benefits (G.I. Bill). Funds are for the payment to the new Department of Defense Education Benefits Fund. This program will fund educational

benefit payments for eligible individuals in the Selected Reserve. The increased cost in FY 1986 is approximately $78 million.

o Other Pays and Allowances. Increased costs for clothing, subsistence-in-kind, travel, bonuses, and other miscellaneous costs are estimated at about $100 million.

Operation and Maintenance

The operation and maintenance (O&M) accounts have a net increase of $400 million in FY 1986 primarily for:

o Price Changes. Price changes result in a net reduction of $78 million. Included in this reduction is the FY 1986 5% civilian pay cut (-$84 million), downward fluctuations in stock fund and industrial fund rates (-$57 million), annualization of the January 1, 1985 civilian pay raise (+$20 million), and inflation on purchases (+$43 million).

o Program Changes. Program changes result in a net increase of $464 million. Included are increases for recruiting and advertising support (+$35 million), support funding for full-time unit personnel (+$7 million), civilian workyears (+$14 million), support for the Continental Army Management Information System (CAMIS)(+$15 million), logistical support (including flying hour programs)(+$81 million), and organizational clothing and equipment increases in support of increased strength levels as well as enhanced clothing requirements (+$97 million). Also included are changes to the real property maintenance and base operations programs (+$11 million), ship maintenance programs (+$17 million), and aircraft rework programs (+$8 million).

o Appropriation Transfers. A proposed change to the criteria governing investments and expenditures resulted in a transfer of $29 million into all reserve component O&M appropriations. The Naval Reserve also transferred an additional $57 million into its O&M account from the Operation and Maintenance, Navy (O&M,N) and the Aircraft Procurement, Navy (APN) appropriations in order to move the purchases of Aviation Depot Level Repairables (AVDLR's) to the reserve component account. This transfer is intended to increase readiness through improved supply support.

Military Construction

Guard and Reserve facilities represent a large capital investment. We have approximately 6,400 installations and training sites. Our FY 1986 military construction request is $428.6 million--a modest growth of approximately $20 million over the FY 1985 level.

My philosophy regarding military construction programs and their management is that our investment in military construction should be determined by mission associated requirements, to include equipment storage, and our ability to execute our programs in an efficient and timely manner. To this end, my staff participates in the planning, programming and budgeting of military construction. We do not direct the Services as to what, where, and when to build. That is their decision. We will carefully review these decisions, and will support prudently justified projects requested by the Services which will improve mission accomplishment and permit realistic training that will result in a higher state of readiness.

A major concern in the existing facilities program is the quantity of identified backlogs for both construction and repair. Current service estimates indicate that reserve component construction backlogs exceed $3 billion. We intend to improve backlog validation procedures and then develop plans for containment and systematic reduction of this backlog.

Procurement (National Guard and Reserve Equipment)

Modernizing and equipping the Guard and Reserve forces to facilitate their expanded role in the Total Force, are the greatest challenges facing us today.

Previous concepts and policies relative to overall military capability were based on the theory that the active component alone must carry the initial responsibility for wartime operations. As a result, the reserve components were recipients of older equipment and were given low budget priority as the active components tried to keep pace with an increasing global threat in a fiscally constrained environment. With the advent of the Total Force policy in the 1970's, the situation began to change. The policy adopted by this administration to give equipment priority to those units that will be "first to fight" whether Active, Guard, or Reserve has furthered this trend and is resulting in significant increases in modern equipment for the reserve forces.

The most difficult aspect of this evolution has been to assess fully the total Reserve equipment deficiencies. We have just forwarded the FY 1986 Report on National Guard and Reserve Equipment to Congress, as required by Public Law 97-86 (the DoD Authorization Act, 1982). This was the fourth such report submitted on selected items of equipment, with each successive report reflecting improved identification and display of total equipment requirements, availability, shortfalls, and corrective distribution plans. The data tables in this report are now fully automated, and will continue to improve with more complete and accurate service assessments. Our report three years ago reflected no M-1 tanks for the Army Guard before 1986, no M60A3 tanks for the Army Reserve, no F-14 and F/A-18 aircraft for the Naval Reserve, no M198 howitzers for the Marine Corps Reserve, and no C5-A aircraft for the Air Reserves. As of FY 1985, the Army Guard already has 63 M-1 tanks and distribution during this year will bring the total to 243; one Army Reserve training division has received the first increment of the M60A3 tank with the Tank Thermal Sight Mod; the Naval Reserve has 20 F-14 fighter aircraft and is training in fleet F/A-18's prior to their receipt of their first 12 next year; the Marine Corps Reserve is getting its first M198 howitzers this year; and both the Air National Guard and Air Force Reserve are receiving C-5A's. These are but a few examples of the progress made by the Services in equipping and modernizing their reserve components.

We have also recently submitted the P-1R, which reflects the types, quantities and cost of all equipment items which have been proposed for FY 1986 procurement for the Guard and Reserve components. This report was not possible three years ago, as all Reserve equipment procurement was not separately identified within the total force budget planning. This report indicates a total of over $4 billion in FY 1986 procurement dedicated to Guard and Reserve Forces:

- The Department of the Army has submitted budget requirements of over $1.8 billion for the Army National Guard and over $641 million for the Army Reserve, totaling nearly $2.5 billion. This budget request includes: UH-60A helicopters, communications equipment, night vision devices, NBC equipment, Bridge equipment, and assorted vehicles, weapons and ammunition for both the Guard and the Reserve. It also includes 1200 Stinger Missiles, 117 Bradley Fighting Vehicles, and 60 M-1 tanks for the Guard.
- The Department of the Air Force has submitted budget proposals of $868 million for the Air National Guard and over $343 million for the Air Force Reserve, totaling over $1.2 billion. This funding will procure weapons, ammunition, vehicles of various types, and continued aircraft modifications for both the Air National Guard and Air Force Reserve.
- The Department of the Navy has identified over $356 million dedicated for Navy and Marine Corps procurement. This includes aircraft and electromagnetic countermeasures equipment mods, aviation ground support equipment and assorted vehicles

for both the Navy and Marines, equipment for Naval Reserve Intermediate Maintenance Activities, Mobile Diving and Salvage units, Explosive Ordnance Disposal teams and Special Warfare units, and various weapons and ammunition for the Marine Reserves, including 35 M-198 Howitzers.

I want to emphasize, however, that this is not the total requirement, and our Guard and Reserve forces will not be "well" by 1988 (reference: FY 1986 National Guard and Reserve Equipment Report). Even if all service procurement and redistribution plans are achieved, which has never been accomplished in budgetary history, many shortages will still exist.

By the end of FY 1988 the Army National Guard will still lack over two-thirds of their required Infantry and Cavalry Fighting Vehicles and improved TOW vehicles; the Army Reserve will lack over 40% of its 10-ton trucks and 90% of its combat engineer vehicles; the Naval Reserve patrol force will consist of P-3A and B aircraft averaging about 20 years old, which have been updated but will still lack capability relative to active component's P-3C's and the Soviet submarine threat through the 90's; the Marine Corps Reserve will still lack one-third of its required transport aircraft (KC-130's), with 40% of those on hand being the 21 year old F models; two-thirds of Air National Guard tactical airlift will be 25 years old; and nearly all of the Air Force Reserve tactical airlift fleet will be at the 20 plus year old mark.

These, again, are but a few examples of the equipment items studied to date. As we progress up the learning curve of our assessment and planning process, the list will be both expanded and refined. I am confident that the data produced thus far is accurate and the requirements are valid. The individual service planning relative to Guard and Reserve equipment procurement, as reflected in the DoD proposed budget, provides positive progress within budgetary constraints and total force priorities.

I must emphasize once again, that much remains to be done. We are on track and progressing well, with increasing momentum. I assure you that this particular effort is one of my top priorities.

Selected Reserve Personnel Strength

Between FY 1980 and FY 1984 Selected Reserve end strength levels increased by over 20 percent. The FY 1984 end strength of 1,045,828 surpassed the previous peacetime high of 1,006,600 attained in FY 1959. A further strength increase of 78,300 is projected between FY 1984 and the end of FY 1986. More than 47,000 of this increase is programmed for FY 1986. This increase reflects the demands of new and includes an expanded missions assigned to the reserve components and expansion of our full-time support capabilities.

Table 2 depicts the Selected Reserve strength profile by reserve component.

Table 2

Selected Reserve End Strength

(Thousands)

	FY 1980* Actual	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Army National Guard	366.6	434.3	438.4	450.5
Army Reserve	213.2	275.1	285.6	300.5
Naval Reserve	97.1	120.6	128.7	141.8
Marine Corps Reserve	35.6	40.6	41.8	43.0
Air National Guard	96.3	105.0	107.7	110.9
Air Force Reserve	59.8	70.3	74.8	77.4
DoD Total	868.6	1,045.8	1,077.0	1,124.1

* For consistency, FY 1980 strengths have been adjusted to include Navy Training and Administration of Reserves (TARs) and Category "D" Individual Mobilization Augmentees (IMAs).

Over the same four-year period of FY 1980-FY 1984, the quality of Reserve enlistees, in terms of the proportion that are high school graduates, increased significantly, as depicted in table 3, rising from 76 percent in FY 1980 to 85 percent in FY 1984.

Table 3

Selected Reserve Enlistments - All Sources

(Percent High School Graduates)

Component	FY 1980	FY 1981	FY 1982	FY 1983	FY 1984
ARNG	79	79	81	78	81
USAR	64	74	80	81	82
USNR	77	80	80	84	88
USMCR	49	74	89	92	92
ANG	99	99	99	99	99
USAFR	95	97	98	99	99
Total	76	80	83	83	85

As the National Guard and Reserve have experienced a rather high growth rate in order to meet the new and increasing demands placed upon them, the rate of increase for the active force has been, by design, significantly less. This change in rate of growth presents some new challenges for the reserve components. Since a major manpower source for the reserve components is the flow of manpower leaving the active force, the dynamics of this manpower flow are of special concern to the reserve components. The number of people leaving the active force overall is now declining due to a relatively constant active force size and higher retention rates. This, coupled with the declining number of 18-24 year olds in the total population, places increased demands on reserve component retention and recruiting efforts.

Our goal this year will be to continue and improve those inducements that have been such a key ingredient to the increased vitality of the reserve components. The recently enacted GI Bill for the Selected Reserve, which will take effect in July 1985, will be used to complement our current incentives and, with the adoption of several technical modifications, will enable us to maximize the effectiveness of all these strength management tools. In this regard, we are requesting $94.5 million to fund the Selected Reserve portion of the new GI Bill, and we will forward legislation to extend the current cash bonus authority five years to 1990.

In addition, we are completing our review of other incentive proposals that are intended to support quality, distribution, and retention goals in the Selected Reserve. The current authority, which expires at the end of FY 1985 for the various Selected Reserve and IRR cash enlistment and retention incentives, has been helpful in building our strength levels and retaining critical skills. These authorities need to be extended for the foreseeable future. We are examining the effectiveness of these incentives to determine their relative success and to be able to better understand the anticipated positive impact of the new GI Bill. Based on our review, adjustments may be necessary to insure a complete package of incentives to deal with individual recruiting and retention problems. We are considering possible legislative proposals which include raising the enlistment and reenlistment cash bonus ceilings, a new prior service bonus to attract veterans with critical skills, a special drill pay for seagoing Naval Reserve members, and extension of the student loan repayment authority to the lower three officer and warrant grades to attract certain technical and professional skills.

Full-Time Support Personnel

Full-time support personnel assigned to the reserve components perform the day-to-day management, administration, training, equipment maintenance, and similar essential tasks. These personnel include Active Guard and Reserve (AGR) members (who are counted as part of the Selected Reserve), the military technicians (whose "full-time" contribution is civilian, but who would mobilize with the supported reserve component unit as a Selected Reservist), the active force members (who provide full-time support but are counted as a part of active force end strength), and the Department of Defense civilians (who provide a full-time support role in a strictly civilian capacity and would not mobilize with the unit).

Overall, full-time support personnel numbers must increase as the reserve components expand in size. It is important, however, that one does not attempt to make a linear relationship between growth of the Selected Reserve and the full-time support. The actual number required must be derived from a detailed analysis of requirements to support specific units and missions.

The AGR growth from FY 1980 through FY 1984 has been approximately 23,000 personnel. An additional growth of 8,800 is projected for FY 1985 and 19,600 for FY 1986. We are also requesting growth in the military technician program. Table 4 depicts the current plan for both the AGR and the military technician programs.

Table 4

Full-Time Support (End Strengths)

ACTIVE GUARD AND RESERVE (AGR)

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Army National Guard	16,656	20,583	30,679
Army Reserve	8,822	10,700	14,714
Naval Reserve	13,327	15,210	19,510
Marine Corps Reserve	803	1,129	1,475
Air National Guard	5,773	6,469	7,269
Air Force Reserve	489	603	635
Total DoD	45,870	54,694	74,282

MILITARY TECHNICIANS

	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
Army National Guard	24,589	24,119	24,129
Army Reserve	6,973	7,585	7,623
Air National Guard	22,160	22,401	22,792
Air Force Reserve	7,973	8,305	9,042
Total DoD	61,695	62,410	63,586

While these increases vary among the reserve components, they are essential to the effective management and training of the National Guard and Reserve forces. Changing missions and conversion to or acquisition of more technologically complex equipment necessitate the employment of an adequate percentage of full-time support personnel. Day-to-day peacetime missions cannot be fully accommodated and high technology aircraft, ships, tanks, and other sophisticated weapons cannot be maintained without the stability, continuity and expertise provided by full-time support personnel. Thus, as our missions and equipment become more complex, our ratio of full-time support personnel will necessarily increase.

Individual Ready Reserve

A major challenge facing us is the provision of sufficient numbers of pretrained individuals in addition to the Selected Reserve to fill out active and reserve component units and replace early casualties in a mobilization. We have taken several steps -- some new and some follow-ups on earlier initiatives -- to meet this challenge.

The IRR is increasing in size as a result of improved management and new incentive programs. The Army IRR has grown from a low of 149,427 in FY 1977 to the September 1984 level of 276,651.

On June 1, 1984, the eight year military service obligation was implemented as a method of reducing aggregate shortfalls in the IRR. It is projected that this will add 150,000 members to the pretrained manpower assets of the total IRR by 1990. The implementation of the IRR reenlistment bonus in FY 1984 for the purpose of reducing specific shortages in combat and other critical skills resulted in more than 2,000 IRR reenlistments in the Army alone. In accordance with congressional guidance, the bonus is now being paid in equal annual installments to help ensure the ready availability of all who receive the bonus. The Naval and Air Force Reserve have recently implemented this bonus program and the Marine Corps Reserve plans to implement it this year. We believe that this is an effective low-cost program to help our tough manning situation and, accordingly, we are requesting a five-year extension of the authority to 1990. We also have requested $4.1 million in FY 1986 to provide for new payments for the IRR reenlistment bonus.

Concern has been voiced in the past in regard to skill maintenance. We are deeply involved in the development of skill maintenance programs now. This budget request reflects a substantial growth in resources to conduct appropriate training for IRR members to ensure that their skill proficiency does not degrade to an unacceptable level.

Locating members of the IRR is another problem area. We began a new initiative in FY 1984 to conduct a data-base file matching with other Federal agencies to reduce the number of non-locatables in the Army Reserve. We plan to expand this file matching project to other reserve components and to implement standardized procedures to complete matching projects on a routine basis to improve and maintain IRR member locatability.

In addition to several other initiatives to improve IRR locatability we are considering an annual muster of part or all of the IRR, similar to that which is required of the Inactive National Guard (ING). This concept would not require legislation. Ultimately, the problem of IRR locatability could be substantially eliminated either by allowing access to IRS address files of those members who refuse to report their locations or to establish certain penalties in law for delinquent members.

Table 5 depicts the Individual Ready Reserve strength profile by reserve component.

Table 5

IRR STRENGTH

(In Thousands)

Component	FY 1984 Actual	FY 1985 Estimate	FY 1986 Estimate
ARNG (ING)	9,480	9,300	9,300
USAR	276,651	289,900	295,400
USNR	69,173	68,300	76,100
USMCR	48,429	50,000	52,000
USAFR	40,991	40,600	39,600
TOTAL	444,724	458,100	472,400

Legislative Proposals

In the coming months, my staff will be considering legislative proposals that address a number of manpower issues. Because of their importance to the overall reserve forces program, I would like to briefly discuss several of them now. The first concerns the use of the Uniform Code of Military Justice, or UCMJ, by our reserve components.

In view of the recent decision by the Court of Military Appeals in the case of U.S. vs. Caputo, (18 M.J. 259 [CMA] 1984), we are preparing a legislative proposal to clarify the intent of Congress concerning application of the UCMJ to the reserve components. We believe it is essential that the reserve components, which must be available for immediate mobilization, are subject to the same disciplinary standards as the active forces.

A second issue of concern is our system for managing reserve officer personnel. A comprehensive system of law providing the basis for the appointment and career management of reserve officers was first enacted in 1954. Only piecemeal adjustments to that legislation have been made during the ensuing 30 years. Over the past three years, the Reserve Affairs office directed the Department of Defense effort to produce a comprehensive Reserve Officer Personnel Management Act (ROPMA), designed to provide compatible personnel systems for all officers, whether on the active duty list, the reserve active duty list or the reserve active status list. This three year effort was the culmination of a long process, with major study efforts conducted as early as the 1970's. But these early efforts had little realistic chance of changing the law since ROPMA was viewed by Congress as a follow-on to the Defense Officer Personnel Management Act (DOPMA). DOPMA was finally enacted in December 1980 and ROPMA is closely patterned after the Act. Our review includes the laws which govern the appointment, promotion, separation and transfer to the Retired Reserve of reserve commissioned officers of the Army, Navy, Marine Corps and Air Force. Our goal is to provide a system for long-range planning essential to providing reserve officers with attractive and meaningful careers and help attract and retain officers of the proper age and grade, who possess the skills and experience the reserve components need.

Based on the above, we are considering legislative changes which incorporate Service comments and the actions of the second session of the 98th Congress.

I am also concerned about the adequacy of the current statutes regarding health and disability coverage for Guard and Reserve members. Benefits and entitlements for reservists vary by the type of orders, duty status and the period of time the member is ordered to active duty. The reservist who is disabled or dies as a result of performing weekend drills or serving on orders specifying a period of 30 days or less, may not have the same benefits as his active duty counterpart, even under the same duty conditions.

This issue has received some attention by all the Services in light of increased reliance on the reserve components in the Total Force and the recent participation of reservists in hostile fire operations in Grenada and Lebanon. Benefits and entitlements are specific by public law. Recent actions of the Congress have made progress in this area and we are considering the desirability of further legislative changes, as well as a common standard to be used by the Services in interpreting and administering regulations, to assure equal protection for all personnel.

The final manpower issue I would like to discuss today concerns the medical readiness of our force. The ability to respond quickly to a wartime casualty flow is one of the most serious concerns within the Department of Defense, and has been the subject of much effort by the Assistant Secretary of Defense for Health Affairs. Our office has joined with Health Affairs in seeking ways to guarantee wartime medical readiness.

We are addressing estimates regarding the total required medical resources and are analyzing the reserve components' ability to provide the appropriate numbers of highly trained medical professionals (doctors, nurses and technicians). It is estimated that more than 50 percent of all the personnel required to provide wartime medical care will come from the reserve components.

This is a top priority. Members of our staff serve on the Wartime Medical Capabilities Study Steering and Working Group. Our Deputy Assistant Secretary of Defense for Guard and Reserve Manpower and Personnel is the co-chairman of the Reserve Components Medical Council. We are working closely with the ASD(HA) to establish definitive wartime requirements for medical personnel, equipment, and evacuation needs under several different war scenarios. The results of these internal DoD studies will be integrated in the summer of 1985 with results of the congressionally directed blue ribbon medical resources study. We will then know more precisely how many guardsmen and reservists, by skill, must be available for wartime needs and should be presently assigned to actual medical units, and how many we can draw from the IRR, Standby and Retired Reserve.

We are placing the very highest priority on improving our understanding of the wartime medical personnel issue, and following up that understanding with actions in collaboration with Health Affairs and the reserve components, in order to ensure that the needed medical personnel are available, and can be mobilized, deployed and employed when needed.

Evaluation of Reserve Component Combat Readiness

One item that became readily apparent to me after I took office last year was the need to determine shortfalls and impediments to National Guard and Reserve readiness. We are building a data base as a foundation for making such determinations by collecting information on the mobilization missions of National Guard and Reserve units, deployment requirements, and the time sensitive nature of these missions. We are increasing our ability to analyze the data in the Unit Status and Identity Report System. Grouping such data permits us to monitor improvements or slippages in readiness and to develop corrective and/or enhanced support actions.

On the training aspect of readiness I must agree with the findings of the Defense Science Board that National Guard and Reserve Training requirements are unique and not well met. In their 1982 Summer Study, the Board recommended that tailored training support material be delivered to the reserve components. Time compression, lack of readily available range and maneuver areas, and geographical dispersion intensify the need for training devices and simulators in the reserve components. My goal in the application of training technology is to bring about an understanding of these unique reserve component training needs within the government, the military, and the industrial training simulation development communities to ensure that the needs of the Guard and Reserve are met. To achieve this end I am using my membership on the Department of Defense Steering Committee on Training and Training Technology to fully support research, development and procurement of training technology that will provide effective state-of-the-art training for each of our reserve components in their training environments.

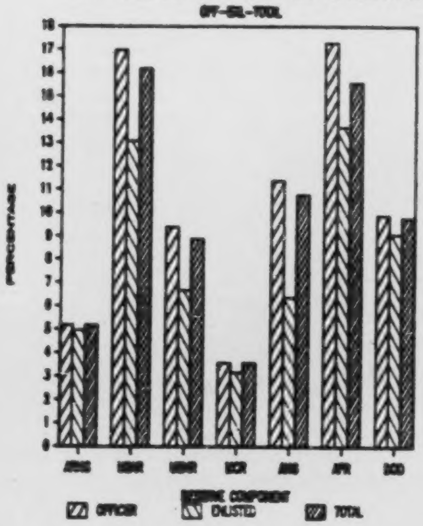
In the interim, we are taking full advantage of training devices which are currently available. Examples include the Multiple Integrated Laser Engagement Systems (MILES), a laser transmitter which simulates live ammunition firing, and the Conduct of Fire Trainer (COFT), a tank commander and gunner trainer. In FY 1984 and FY 1985, $32.8 million was programmed to provide 55 company sets of MILES to 30 major reserve component training areas. In FY 1986, an additional $17.3 million is programmed and a requirement for about $138 million is projected for the future. This, ultimately, will equip every maneuver battalion with a platoon set of MILES. For the COFT, $13.5 million was programmed for FY 1984 and FY 1985 and $11.3 million for FY 1986, which will provide a total of 12 trainers. The total number of tank trainers eventually procured for the reserve components will depend upon the outcome of technologies in development today.

Women in the National Guard and Reserve

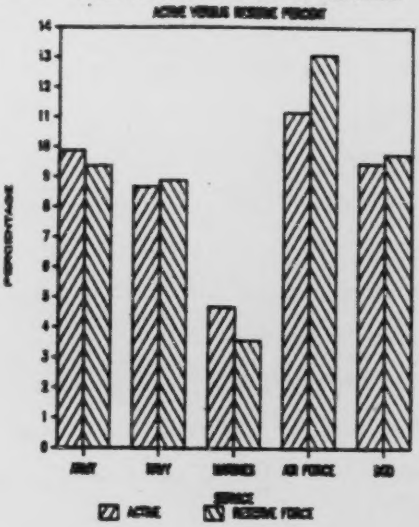
I believe that previous concerns make a comment regarding the use of women in the National Guard and Reserve appropriate. As in the active forces, women will continue to comprise a significant part of our reserve force and accessions. The policies governing the utilization of women in the reserve components mirror those of the parent Service and it is, therefore, not surprising that the percentage of women in the reserve components corresponds closely to that in the active forces. This is clearly shown in the figures in Table 6 below.

Table 6

COMPARISON- WOMEN IN RESERVES



COMPARISON WOMEN IN SERVICE



The Department policy of full utilization of women in the military is a Total Force policy, and I am committed to ensuring that women are given full opportunity to participate, contribute, and advance in accordance with that policy. To this end we are taking a comprehensive look at women in the Guard and Reserve--studying promotion opportunities, pay-grade distributions, occupational distributions, minority group representation, and accession plans.

Compensation Related Benefits (Commissary Test)

During 1984, the Department conducted the Selected Reserve Commissary Test directed by the Congress. This test involved over 100,000 Guard and Reserve personnel and 22 commissaries. The concept of the test was to permit Selected Reserve members to use the commissary up to a maximum of 14 days at their convenience throughout the year instead of only during periods of active duty for training. The analysis of the test data is being completed in order to make recommendations to the Congressional oversight committees.

Public and Family Support

At my confirmation hearing I discussed the need for improved public understanding of the vital role of the National Guard and Reserve. We have begun a concerted effort to assist the components in communicating this important message to audiences including the active force, the reserve component members and their families, public opinion leaders and the public in general. To assist in that effort, I am accepting as many speaking invitations and interview requests as possible. Public support, which can only come from public understanding, is essential to morale, esprit de corps and ultimately to readiness of our reserve forces.

Among the most important audiences we need to reach are the families of National Guard and Reserve members. Research has shown that family attitudes exert a major influence on the retention of military personnel. This is at least as true in the reserve components as in the active force. We need much more information on the demographics of reserve component members and their families, and we have initiated a program to develop this information as a basis for future policy changes to enhance recruitment and retention and to control attrition.

We plan to field a comprehensive survey of all Guard and Reserve components in early 1986. Such a survey has never been done and it will provide vital information for a wide range of reserve programs and concerns. With respect to families, it will provide sound information for structuring benefits and programs that will enhance family support and understanding and hence, retention. It will provide sound data on the number of our members who are married to other reservists or to active duty members and on the number of such cases where dependent children are involved. It will also give us needed planning data to ensure we can provide necessary support for Guard and Reserve families upon mobilization.

International Reserve Affairs

As I mentioned earlier, National Guard and Reserve participation in realistic training exercises is increasing. This includes a steadily increasing participation rate in overseas exercises. For example, this year 21.5% of the units participating in REFORGER 85 were National Guard and Reserve units from 38 states. Next year more than 40% of the units participating in REFORGER will be National Guard and Reserve units. For this reason, my office has been working very hard, quite often on a bilateral basis, to build solid relationships with our allies, particularly in NATO, but also in Asia.

Since September 1984, I have travelled to Europe twice to observe reserve component training exercises. During these visits, we received 85 briefings, visited 28 sites and exercise demonstrations and met with 49 senior NATO military and civilian officials. We also concluded a Memorandum of Understanding with the Federal Republic of Germany that will create an exchange officer program for reserve component officers. In concert with the overseas exercise program, the reserve officer exchange program will enable us to create the kind of personal bonds that are so important should our forces be required to join with those of our allies on the battlefield. I want to assure this Committee that we will continue our effort in this area to make sure our reserve components are respected and work efficiently with our allies.

Conclusion

In summary, today's National Guard and Reserve enjoy better status and readiness, and continue to assume an increasingly important role in our defense strategy. While some problems remain, I am confident that as we continue to improve the effectiveness of the National Guard and Reserve, we will be improving the total capability of this Nation's defensive posture. That is, and must remain, our first and foremost aim.

Mr. Chairman this completes my testimony. I thank you once again for the opportunity you have given me to appear before this Committee today. I am prepared to answer questions.

The CHAIRMAN. Mr. Bateman.

Mr. BATEMAN. Yes. Mr. Secretary, your statement for the record makes some references to the Coast Guard Reserve as a matter of very logical and appropriate concern. And I note in it that the fiscal year 1985 expectation is to increase the Coast Guard Reserve strength from 12,300 to 12,500.

Is that significantly less than the increases in the other Reserve services, do you feel that there is a diminution of effort that we should rectify?

Mr. WEBB. The increases in the different components have varied significantly depending on the missions that have been brought to them. Of course, we do not control the Coast Guard except in time of war. We have a great admiration for what the Coast Guard does. Having spent time with Coast Guard people over the past years, I think that the young individual in the Coast Guard has as much responsibility in the time of peace as any other service member. These cutters that go out with their 14-man crews put lot of responsibility on the individual himself.

I would defer to the Commandant of the Coast Guard as to whether he believes that the request is sufficient. But we do work with them on a regular basis, and we assist them when they ask.

Mr. BATEMAN. I suspect then that I will have to inquire of Admiral Grace whether his needs are adequately met. Historically, certainly in recent years, I think that we have tended in Congress to place greater and greater responsibilities on the Coast Guard without the commensurate fiscal and other support that would seem to be dictated. So that is what tweaked my curiosity.

That is all of the questions that I have, Mr. Chairman.

Mr. MONTGOMERY. Thank you, Mr. Bateman.

Mr. Secretary, I can speak for myself and many others on the Hill that we were very pleased when you were appointed the first Assistant Secretary of Defense for Reserve Affairs. For the record, you are a combat veteran of Vietnam, you are an author, and you have been a legislative counsel for the House Veterans' Affairs Committee. I think that was an excellent choice.

On these initiatives that we have introduced, and 2 years ago Mr. Aspin also had some initiatives, we certainly want to work with you on these areas. And where you think some of them are good, we ask for your help, and we think that most of them are. And we approached it on not big ticket items. We did not come in for tanks and guns. We think that that is going to have to be left up to the different services and to you as to how this equipment should be divided.

But to pin it down, it came out of these hearings. We got all of the Reserve service chiefs together, plus all of the Reserve associations together, plus somebody from Mr. Webb's office. And what it came down to was of interest to us working on these initiatives. Other than the Naval Reserve, the other reserve groups said that they had enough drill time. That the 48 drills a year were enough plus the 15 days considering getting people off their jobs.

And then we found out that family support was a key issue, and to satisfy families of reservists had a lot to do with the wives making the individuals get out of the Reserves if they were unhappy. And therefore, it cost the government money to retrain people coming in.

And then we found that there were some problems in the employer area, and we might have to look into that. And I would like for Jim to comment on that. That there is some discrimination now taking place in this country. And it is mainly from one Government agency, Federal Government agency, that they in effect ask are you in a Reserve unit; and if you are, you might not get a job.

Do you care to comment on either the family area or the employer area?

Mr. WEBB. First of all, I have read your package of the seven incentives, and in all cases, we are in general agreement. I would like to commend you for all that you have done in this area for so many years.

As far as the specifics, I would hope that we could talk closely. We would have different ideas as to how some of these goals might be approached. In the area of family and employer support, as I mentioned in my brief oral statement, this year we have funded $100,000 seed money to do a complete examination of Reserve component family attitudes which has never been done before.

We do know that the two greatest determinants of when an individual decides whether he or she is going to stay in the Guard and the Reserve are the family and the employer. We have been able to use the National Committee for the Employer Support for the Guard and the Reserve in a much larger way. This precedes my time in this job, but I have taken a personal interest in that.

It addresses community and family concerns in an informal way, as well as employer concerns. I have personally been involved in their national advertising campaign. I have gone up to speak with Darcy McManus who is their pro bono ad company in New York, one of the best advertising companies up there. They do Budweiser and some of the other big sellers.

We have an interesting new advertising approach that is going to come out of that, focusing on the immediacy of the day-to-day missions, and weaving in family and employer. We would like to do more.

In the employer area, I am intrigued by your suggestion for tax incentives. We do not have a Department position on that. I would like to advance that, and see what reservations there may be.

With respect to the possibility of passing an antidiscrimination law, I have some hesitations in that. They are in large part based on my experience serving as a counsel on the Veterans' Committee, to be honest with you, when we had an antidiscrimination package prohibiting discrimination against veterans.

It looked nice in the law. In the 4 years that I was on the Veterans' Committee, we never had one case get beyond the Office of Federal Contract Compliance. It would have some symbolic value, but from working on the Veterans' Committee I came to believe that the best way to deal with areas of discrimination of this sort was to work to create a positive environment where there would be an enhancement for hiring the individual which focused on the experience, the greater discipline, and the contributions that the individual can make.

In that context, I am attracted to your tax incentive program more than the legislative program itself.

Mr. MONTGOMERY. Well, thank you. And I do not want to leave the impression that we have not had adequate cooperation from employers over the years. If we had not had the cooperation of letting young men and women off to go to weekend drills and 15 days of encampments, we would have had a lot of problems. They have been cooperative.

Actually, I do not have any problems with what you just said about how far we want to push discrimination. I appreciate your support of looking into the idea of tax incentives to the employer who takes the extra step or goes the extra mile to encourage people to be in the Reserves.

We are working on this. This might be a hard one to do. This would have to come out of some other committees besides this committee. But it does have some merit to it, and I hope that there would be some legislation in some way to approach tax incentives. Thank you.

The CHAIRMAN. Are there any other questions?

[No response.]

I would only ask unanimous consent that the staff be authorized to submit questions for the record, if you would be willing to answer those questions.

Mr. WEBB. I would be happy to do that.

[The following questions were submitted to the witness to be answered for the record:]

House Goods Weight Allowances

Question: Why are the household goods weight allowances based solely on grade? Has the Department of Defense given any thought to restructuring the system in order to consider the existence of dependents as well as the member's grade in establishing weight allowances?

Answer: The household goods weight allowances table is structured to take into consideration the changing lifestyles of members as they proceed upward in rank. Members who have served a length of time in the military have normally achieved a degree of success and an opportunity to accumulate belongings to match their enhanced status. Quite naturally, younger and lower ranking members have not had an opportunity to purchase large amounts of furnishings but as they progress upward in grade they will be adding to their possessions and the weight allowance table is structured to recognize this normal trend.

The Department has no plans to restructure the weight allowances based on the number of dependents. Under the current system, each individual grade-level ceiling serves as an "umbrella" to cover both single members and those with dependents. We believe the current structure is appropriate in that it treats members of the same rank equally regardless of marital status or family size.

EUROPEAN TROOP STRENGTHS

Question: Secretary Korb, many of us agree that imposing a ceiling on the number of U.S. troops in Europe is not the best way to address our defense requirements or our European allied defense burdensharing concerns. The problem is that neither the Congress nor the Administration has been able to solve the burdensharing dilemma. It appears to me that cooperative arrangements like the U.S.-German Patriot air defense agreement in which the U.S. provides equipment in return for the allies manning the equipment make sense from the point of view of controlling the number of U.S. troops in Europe, while, at the same time, meeting a critical defense need. When the Patriots are in place in Germany, will the United States realize any manpower savings? Do you have any ideas concerning future cooperative agreements that could result in manpower or cost savings for the United States while increasing the allies relative share of the defense burden and eliminating or improving a defense deficiency in Europe?

Answer: The German Air Force assumption of operations and support responsibilities for two U.S. Army PATRIOT battalions (12 fire units) in Germany will reduce the PATRIOT force structure in Germany by about 1,600 personnel.

We are continually seeking opportunities to identify potential manpower and cost savings through host nation and other logistic support agreements that reduce the need for the U.S. to forward station military units overseas in peacetime or to reinforce existing units in times of crisis. We have several initiatives pending, one of which is with the NATO maintenance and supply agency (NAMSA). Specifically, it appears that the US will, for the first time, become a member of NAMSA Weapon System Partnerships (WSPs) for the MLRS and PATRIOT weapon systems. These WSPs provide common logistics support for commonly-held weapon systems in Europe.

Also, USAFE is exploring the use of NAMSA for repair of AIM-9Ls in Europe and for storage of War Reserve Materiel in theater. The use of NAMSA to provide some in-theater logistics support has the potential for freeing some US manpower resources in Europe.

Recruiting and Advertising Resources

Question: Secretary Korb, you note in your statement that 3 percent program growth in total recruiting and advertising resources will be required in fiscal year 1986. Is this tied directly to the new GI bill? For the record, could you provide a breakout by service and by dollar category (e.g., recruiters, advertising) of the total recruiting and advertising request for fiscal year 1986?

Answer: The program growth in the FY 1986 recruiting and advertising request is required to offset more difficult recruiting conditions and to respond to a four-percent increase in accession requirements. The effects of the new GI Bill were considered but had no impact on our FY 1986 programmed growth. The following table provides a breakout by service of the total recruiting and advertising request for active force recruiting in fiscal year 1986:

ACTIVE FORCE RECRUITING AND ADVERTISING RESOURCES (FY 1986)
(Current $ in Millions)

Category	Army	Navy	Marine Corps	Air Force	Joint	DoD Totals
Enls Bonus	115.4	12.1	8.6	.6	-	136.7
Military Pay	189.1	143.4	84.8	71.2	-	488.5
Civilian Pay	26.9	11.8	4.3	7.4	-	50.4
Recr't. Spt. 1/	168.5	53.7	35.9	28.5	-	286.7
Advertising	93.6	23.3	18.1	17.6	-	152.6
Joint Advert.	-	-	-	-	22.0	22.0
Facility Leases	-	-	-	-	69.5	69.5
Joint Mkt. Res.	-	-	-	-	2.3	2.3
Totals	593.6	244.3	151.7	125.3	93.8	1208.7

Numbers may not add due to rounding. Includes all funds identified as enlisted, officer and medical recruiting resources. Military Pay excludes cost of retirement accrual.

1/ Recruiting Support costs are O&M funds for recruiter aides, communications, training, vehicles, office supplies and equipment, travel and per diem for recruiting personnel, applicant transportation, food, and lodging.

House Goods Weight Allowances

Question: I share your desire to improve PCS reimbursements. However, we are operating under an extremely tight budgetary environment this year, and I am not sure that we or the Appropriations Committees will be able to approve your request.

You identified three major PCS priorities: increasing household goods weight allowances, funding the Temporary Lodging Expense (TLE), and funding a travel allowance for dependents of

junior enlisted members in CONUS. In your opinion, which of these is most critical for retention in fiscal year 1986?
Answer: The lack of adequate PCS reimbursements is one of the most critical personnel issues facing the Department today. While all three of the benefits mentioned above are vitally important to retention and to the military member's financial well-being, when asked to identify the one having the highest priority, it would have to be the increases in household goods weight allowances. Included in the cost of $279.3M for increased weight allowances is funding for junior enlisted travel in CONUS and the two should really be treated as one. These initiatives, together, will have a tremendous effect, both on the morale and financial welfare of our members, especially, the junior enlisted personnel, who need help the most.

PCS Reimbursements

Question: In looking at service data on permanent change of station moves, the committee has found a problem with the lack of uniform data. For example, we understand that the services either do not track or track differently the number of people by grade who move each year, the average weight of household goods moved by grade and the extent to which different grades move the maximum allowable pounds of household goods. In addition, there is a general perception that, if the services moved people less frequently, there would be more funds available to provide higher reimbursement for the individual service member. What is your office's role in scrubbing the individual service's permanent change of station accounts?

Answer: My office is not directly involved in the scrubbing of the individual Service's PCS accounts. Our role is in providing basic policy guidelines for the Services, e.g., assignment policies, overseas tour lengths, travel entitlements, etc.

The variances between the Services in computing PCS data has been reviewed by the General Accounting Office, with briefings provided to the staff of the House Armed Services Committee. The GAO briefing discussed the many factors that enter into the cost of PCS, including force size and geographical location, proportion of married and single, number of dependents, average grade levels, location of military installations, proportion of accompanied and unaccompanied moves, etc.

Changes to the Variable Housing Allowance Account

Question: How do you view the variable housing allowance (VHA) program as restructured in last year's Defense Authorization Act? Specifically, do you feel that changes are needed to reduce the degree of absorption by the individual Service member below 15 percent? What do you see the primary issues to be with respect to VHA?
Answer: The changes made in the VHA program were essentially those that we recommended to the Congress in our study of the program last year. Our study was guided by two objectives: (1) structure the allowance to provide a meaningful reimbursement for housing expenses and to achieve fairness and equity to the member, i.e., the higher the housing cost area the greater the allowance; and (2) address the congressional concern that the cost of the program was spiraling out of control. We believe the changes that were made to VHA last year, including establishment

of the absorption rate of 15 percent of housing costs, struck a fair balance between the two objectives. The two major issues with VHA that will likely surface in the near term are: (1) Achievement of a housing program that provides adequate shelter to members, particularly junior and mid-level enlisted, in extremely high cost areas. There is mounting evidence that, even with the VHA, military members are experiencing severe financial distress in selected high cost areas, such as California. We may need to revise the VHA program to address specifically these particular situations or adopt alternative housing programs and policies to accomplish the same purpose; (2) Implementation of legislation to disallow payment of VHA in excess of actual housing costs. The Senate Appropriations Committee directed DoD to submit such legislation. We oppose the bill because we believe it would impose a costly and complex administrative burden and would create an incentive for members to incur greater housing expenses. Therefore, while some short term savings may be achieved, we believe that it will make the program more costly in the long run.

Quality of Medical Care

Question: In your statement, you highlight medical care as one of the primary quality of life issues for military families. Unfortunately, the quality of military medical care has received a good deal of bad publicity over the past few months. Recognizing that medical care falls within the jurisdiction of another assistant secretary, I would be interested in your views on this situation from your perspective as the department's top manpower official. Do you feel that there is sufficient accountability within the individual service medical systems with respect to disciplinary action taken against problem providers?
Answer: It is true that there has been some unfavorable publicity on military medical care in recent months. It is also true that the Department has been taking active steps in the past several years to prevent such incidents. No large medical system, such as ours, can ever be free of malpractice cases, but I believe that our recent record is good and is improving. Let me put this matter into perspective.

The Department of Defense (DoD) has some 688 military medical facilities located throughout the world. They treat over 900,000 hospital admissions and 50 million outpatient visits a year. These facilities are staffed with approximately 47,000 health care professionals, including 13,000 physicians.

Any system as large as this is bound to have some deficiencies, but I believe that the "quality assurance" programs in DoD are as good or better than those of the private sector. So are the incidence of malpractice claims. Military malpractice claims in FY 1983 and FY 1984 ran at about 6.4 cases per 100 physicians as compared to 16.5 cases per 100 physicians in the private sector. When we adjust these figures to take into account that active duty personnel cannot sue the government for injuries incident to or arising from military service (the so-called "Feres Doctrine") the military rate is estimated to be about half that of the private sector.

These data are reinforced by accreditation decisions by the Joint Commission on Accreditation of Hospitals (JCAH). In the 1982 JCAH survey, 72 percent of the military facilities seeking accreditation fell within the two highest levels of accreditation compared with 60 percent of the civilian facilities. Moreover, none of the military facilities failed accreditation, whereas 2 percent of the civilian facilities did.

This situation did not come about by accident. We have put some effort into this at the highest levels. We have a full-time quality assurance staff in the Health Affairs office to assess the quality of care provided in our facilities and to provide a rapid and appropriate response when problems occur, as well as to develop policies and programs to maintain and improve the quality of care. For example:

- We require an annual reporting and review of mortality and complication rates by the Services. If these rates exceed expected levels, a review is conducted to determine whether corrective action is needed. Such rates are used in assessing the provider's clinical performance and renewal of patient care privileges. A new directive in 1984 requires timely action in cases of actual or alleged improper, unethical, or unprofessional conduct or substandard patient care by DoD health care providers.
- Earlier this year a new Directive standardized and improved credentialing process. Basically, this provides higher standards that must be met before a physician can be fully credentialed.
- We have strengthened physician control over non-physician health care providers who have authority to alter, suspend or terminate a regimen of medical care. Non-physicians providers include professionals such as physician assistants, nurse practitioners, nurse midwives, nurse anesthetists and independent duty corpsmen.

These are some examples of the things that the Department is doing in improving the quality of medical care. We will keep on trying to improve. Our stricter accounting standards on individual physicians are in place and are being enforced. A substandard physician can lose his credentials, be eliminated from the service, and be reported as such to the appropriate physician bodies of the private sector. Moreover, hospital commanders are held accountable for the actions of physicians in their commands. I am aware that both the Secretary of Defense and the Assistant Secretary for Health Affairs have made quality assurance in military medicine one of their highest priorities. I am fully supportive of their efforts and believe that there is sufficient accountability within the Service medical systems as regards to disciplinary actions against problem providers.

Recruit Quality During Mobilization

Question: The Services are getting an awful lot of quality in recruits today. Would today's Army be able to wean itself from its current diet of quality-rich accessions if we mobilized tomorrow and had draftees suiting up in July?

Answer: Recent enlisted accession quality has been higher than that experienced during the Vietnam Era draft. Over the last three years, 86 percent of the Army's male non-prior service accessions were high school diploma graduates. In addition, 84 percent scored average or above on the enlistment test (AFQT Categories I-III). In an equitable draft, military accessions would be representative of the qualified and eligible youth population (e.g., 75 percent high school graduates and 76 percent AFQT Categories I-III). For example, during the peak of the draft, 1968, 70 percent of the Army's draftees scored average or above on the enlistment test and 72 percent were high school graduates. Although moderately lower than our recent excellent results, a draft would provide acceptable recruits, particularly in view of the circumstances that would necessitate mobilization. The Army would quickly adjust to a somewhat lower quality accession profile.

FUTURE MANPOWER REQUIREMENTS

Question: Over the past four years the size of our active force has increased by almost 100,000. This growth has been supplemented by increases in the size of (and reliance on) reserve forces. This year you are seeking further growth in the active force totaling almost 26,000.

I understand the argument that past actions in the investment accounts drive current demands for additional personnel, and so the requested increase in end strength is simply the final bill coming due on the ships, planes, and tanks bought in past years.

Likewise, I am sure you understand that cuts in the operating accounts come more readily than cuts in the investment accounts, barring strong input to the contrary from the department.

My question is: is the department going to contribute to the effort to pay the manpower bill?

> The budget is going to be cut. If the operations accounts are to be protected, then the investment accounts will have to suffer the cut.
>
> What investments would you forego in order to preserve the 26,000 increase in military end strength?
>
> What have you and the investment account managers decided so far on the future manpower ramifications of this year's budget for procurement and RDT&E?

Answer: The investments included in the President's Budget are those that are needed for us to maintain a reasonable defense and deter aggression. The manpower included in the budget is the minimum necessary for us to accomplish the required work. If Congress wants to reduce the DoD budget it should eliminate or repeal those restrictions that preclude DoD from making the best uses of its resources. Attached is the Secretary of Defense's response to a question on such restrictions. If the restrictions mentioned in his response and other impediments to efficient management were rescinded, DoD could realize savings without cutting needed programs.

The future manpower ramifications of this year's budget for procurement and RDT&E for the top ten manpower intensive systems are shown below. For replacement systems this strength is the difference in strength between the current system and the new one. The data displayed represents the cumulative strength change through FY 1990 but does not necessarily represent a change in the overall Service end strength. Some of these increases, especially in the Army and Marine Corps, will be absorbed within existing end strengths.

System	*New Hulls*	*Net End Strength*
Army		
MLRS		*3102*
BFVS		*2184*
DAS 3		*1596*
AH64		*1491*
MI Tank		*1472*
DIVAD		*810*
AN/MSC-64		*692*
TAGSAT		*524*
RPV		*369*
MGOA3 Tank		*311*
Navy		
CG 47	*14*	*5340*
CVN 6X	*2*	*3768*
LSD 41	*6*	*2049*
SSBN 726(TRIDENT)	*4*	*1872*
BB 61	*1*	*1519*
LHD	*1*	*989*
DDG 51	*1*	*846*
MCM 1	*10*	*653*
MSH 1	*10*	*382*
SSN 688	*13*	*229*
Marine Corps		
AV3B		*95*
TCO		*86*
MIFASS		*56*
CH53E		*55*
ESS		*50*
MEWSS		*37*
ISIS		*36*
TRE		*12*
DWTS		*4*
JINTACCS		*2*
Air Force		
Fighter/Fighter Interceptor Modernization		*7600*
B-1 Deployment		*6600*
Ground Launched Cruise Missile		*4200*
Strategic Airlift Modernization		*3700*
Medical War Readiness		*3300*
Special Operations Forces/ Aerospace Rescue and Recovery Service Force Structure Changes		*1500*
KC-10		*1300*
TR-1/Precision Location Strike System Ground Stations		*1100*
Over-The-Horizon Radar		*1000*
Air Launched Cruise Missile		*1000*

Q & A from Mr. Boulter to SECDEF

QUESTION: Mr. Boulter. Mr. Secretary, from your answer, I think I'm right, and I want to move to another area. I also was the member Tuesday morning that asked you about this, and I believe the Chairman referred to it earlier. We all know that there are legislative reforms and legislative roadblocks to the more efficient operation of the DoD. If you could simply come to Congress and its oversight committees and say, "These are the changes you need to make, so we can more economically and efficiently run this department," could you just basically outline those changes?

ANSWER: There are numerous legislative changes that could be made that would improve the efficiency of DoD operations and lead to real cost-savings in the budget. Major changes in present legislatively-imposed constraints would save money and strengthen my ability to operate the Pentagon by eliminating current prohibitions against efficient Defense operations. As I pointed out earlier, this list of changes may not become an Administration proposal, but it provides information on how management and expenditures are affected by provisions which limit my ability to run the Department in the most efficient manner.

The proliferation of restraints absorbs a great deal of management time and has made it difficult to operate the Department with the kind of flexibility needed in rapidly changing circumstances. Over the last four years, we have made an attempt to eliminate unnecessary constraints that were imposed by DoD itself but other constraints have been legislatively imposed and hence cannot be modified by the Department.

Biennial Budgeting: Creation of a two year budget for the Department would promote program stability, allow a better chance for economic production rates, and allow increased time for cost-estimates, planning functions, better program execution, and more thoughtful decision-making. A two year budget is a possibility for FY 1987.

Streamline Base Closure Procedures: Legislative restrictions currently impose at least a 22 month delay from the time a decision is made to close a particular base until actual closure can commence. There are significant costs involved in the first year, but significant savings can accrue in the following years.

Elimination of Civilian End Strength Ceilings: End strength ceilings have been imposed without consideration of specific programs. Although there appears to be an assumption that new missions and decreased missions affect personnel ceilings, no direct relationship has been established. Therefore, we have requested an elimination of civilian end strength ceilings for FY 1986 in this year's budget submission.

Remove Restrictions on Contracting out of Commercial/Industrial Type Activities (A-76): Restrictions on contracting out of commercial or industrial activities are artificial barriers to efficient operations which create added costs. Functions that could be performed most effectively by the private sector are precluded from conversion to contract under current restrictions. Other functions which are more appropriately conducted by Government employees are turned over to the private sector.

Removal of these restrictions would result in significant cost savings and increase the efficiency of DoD operations.

Raise Threshholds for Small Purchases and Advertisement in CBD: Varying threshholds affecting small purchases and advertisements are currently in force. The FY 1986 Military Construction Authorization request includes a proposal to raise to $25,000 the small purchase threshholds in the Davis-Bacon Act, the Walsh-Healy Act and the Service Contract Act. In addition, the Employment of the Handicapped Act, the Solid Waste and Disposal Act, the Employment of Qualified Disabled Veterans Act, the Small Business Act, and the Office of Federal Procurement Policy Act, all have different threshholds.

Of the 15 million procurement actions processed by the DoD each fiscal year, 14.7 million, or 98%, are actions of $25,000 or less. Each of these actions is potentially complicated by one or more of the threshholds noted above. The Competition in Contracting Act of 1984 (P. L. 98-369) requires special simplified purchasing procedures for contracts not exceeding $25,000 "in order to promote efficiency and economy in contracting and to avoid unnecessary burdens for agencies and contractors . . . . " More cost-effective and efficient practices for small purchases could be achieved by changing all existing threshholds to "the level established for small purchases" in the Competition in Contracting Act of 1984.

While precise cost-saving figures are not available on potential savings, we estimate they range from $40 million for the proposal in our FY '86 Milcon Authorization submission to $100 million for an omnibus raise in all small purchase related threshholds.

As you can see, this is not an exhaustive list. We have identified a great many additional legislative constraints that no longer serve the intended purpose but add to the costs of operating this Department. We will continue to analyze the potential benefits of removing these constraints or reshaping them, and I will let you know if we have additional proposals for legislative change.

IRS RULING HURTING MILITARY HOMEOWNERS

Question: There is justifiable worry about the IRS putting out a ruling that would hurt military homeowners.

I've introduced a bill (H.R. 1241) that would take effect in the event of such a ruling -- to protect service members from an effective pay cut.

As you know, there's no easy way to address this problem in the confines of the traditional "pay and allowances" system of military compensation.

- o What is the status of this issue in the department?
- o Are you still working with Treasury to de-fuse it?
- o Will you try for a tax measure to resolve it, or are you willing to re-structure military compensation?

Answer: The status of this issue within the Department of Defense is that we are continuing to work the problem. The Treasury Department has agreed not to let any adverse impact of denial deductions affect individual military homeowners until 1 January 1987.

This delay of imposition provides only an opportunity to resolve the problem prior to any actual loss of take home pay by military homeowners. It does nothing to remove uncertainty over the outcome or provide guidance to our Service members.

We are working to de-fuse the issue. We are pursuing the resolution within the Administration.

We are drafting legislation to resolve the issue. We expect to forward this proposal to the Congress when the position of the Administration is more fully defined.

PAY RAISE

Question: Secretary Korb, the budget requests a 3 percent military pay raise in July in order to keep pace with inflation, to inhibit further expansion of the pay comparability gap and to prevent significant numbers of military personnel from leaving the service.

In your opinion, will the Department of Defense civilian work force--another important component of total force readiness--

experience a hemorrhage of talent if a 5 percent pay cut is implemented?

Answer: We would expect greater than normal losses, especially among senior employees eligible for retirement and those employees in their first five years of service. Increased losses could also be expected among employees with skills in great demand--such as computer specialists, medical doctors, etc.--in the private sector. We do not, however, expect a general "hemorrhage of talent" if the 5 percent pay cut is enacted. The Department supports the Administration's efforts to reduce the deficit and will carefully monitor the effects of the reduction should it become law.

TRAINING CONSIDERATIONS

Question: The Committee's attention has been engaged on the subject of training. Of special interest are the effects of doctrinal choices on training and, consequently, on manpower quality requirements. What are your thoughts on taking training considerations into account earlier in the process of:

- o doctrine and strategy formulation?
- o weapon conception, design, and acquisition?
- o calculation of trade-offs between system technology and manpower quality to yield a fixed capability?
- o mobilization planning and post-mobilization operations?

Answer: The Department of Defense believes that manpower, personnel and training (MPT) considerations should be taken into account throughout all relevant types of planning and concept development, to include those listed in the question. While the timing of the introduction of these considerations is important, it is even more important that actions based on these considerations be effective, rather than merely timely. We need to focus attention on developing better tools for the effective integration of MPT considerations into the planning and developmental processes.

With reference to the specific processes listed in the question:

o Doctrine and Strategy Formulation. The development of operational doctrine should be closely linked with the development of the training doctrine and methodology that are required to put it into effect. When evaluating alternative strategies or operational doctrines, the quality of the available manpower and the availability of means to train the force which will carry out the strategy or doctrine must be prime considerations.

o Weapon conception, design and acquisition. The set of DoD directives which governs this process prescribes consideration of MPT factors throughout the process. With regard to training, the directives provide guidance for the development of training plans, simulators and other training devices, course materials, etc., in parallel with the development of the weapon. The objective is to have the training systems for operators, crews and units and maintenance personnel ready for use when the weapon is fielded. The system of procedures prescribed in the directives is logical. However, there is a continuing need for more effective analytical methodologies to get the intended results from the system.

o Technology/Manpower Quality Tradeoffs. The ability of manpower of varying quality to learn to operate and maintain a given weapon effectively should be the principal focus of such an analysis. Consequently, alternative methods of training must be fully considered in the analysis. There may be some tendency to design weapons to employ the most advanced technology with too little regard to MPT considerations. Better methods of analysis of the man-machine interface could improve the developmental process, as would more effective tracking of new technologies that would allow the tradeoff.

o Mobilization planning and post-mobilization operations. MPT considerations are a key part of both of these processes. The availability of organizations of the required types, procedures for filling organizations with manpower with the required skills, means for training fillers and replacements, and coordinating the availability of personnel and equipment are all factors in mobilization planning. While the systems in place for these tasks are adequate, we need to improve our overall ability to track and analyze the training aspect of the mobilization issue. The training of units between mobilization and deployment is a principal concern in planning post-deployment operations.

Manpower Research

Question: What, if any, manpower research projects might identify ways to temper the demand for manpower quality against fluctuating demographic, technological, and doctrinal forces?

Answer: Several research initiatives are underway that will not only help us better define our manpower quality requirements, but will improve our ability to forecast recruiting market conditions and improve our use of available recruiting resources. One of our major research efforts will help us link enlistment standards with actual job performance. Currently, in the absence of more accurate predictors of job performance we use education and Armed Forces Qualification Test scores as short-hand measures of job performance potential and attempt to recruit the highest quality possible with the resources available. If succesful, our research to link job performance with enlistment standards will enable us to identify better those candidates with the highest probability for success and reduce recruiting costs while minimizing our training costs.

Research of changing demographics has also been in progress which shows that several factors combine to mitigate the impact of fewer male youth entering the job market. For example, large increases in female participation in the labor market combined with the significant increases in immigrants and older displaced workers have acted to reduce the demand for youth labor. In other words, these groups with little applicable job experience are competing for the same jobs that were formerly filled by unskilled male youth. It is expected that this economic substitution effect will continue at least into the late 1990's.

The Department of Defense has other research programs in progress to identify market factors affecting our recruiting programs; to determine the effectiveness of our enlistment incentives and advertising programs; to better determine the requirements, both numbers and general skills, for personnel earlier in the system acquisition process; and, to identify the attitudes and opinions of the eligible youth population in order to better target and improve the efficiency of our recruiting programs.

Selected Reserve Average Strength Shortfalls

Secretary Webb, the Army National Guard, the Army Reserve, the Naval Reserve, and the Marine Corps Reserve failed to meet their fiscal year 1984 average strength authorization. Judging from the fiscal year 1985 program data, these same components will fall short this year as well.

Today you are requesting a growth of more than 30,000 in Selected Reserve average strength for fiscal year 1986--nearly 25,000 of which would be in the components that are falling short in fiscal years 1984 and 1985.

Question. To what do you attribute these strength shortfalls?

Mr. Webb. Generally, the minor strength shortfalls in fiscal year 1984 were attributable to higher than expected attrition, and failure to achieve non-prior service recruitment goals.

Question. Are the significant increases included in the budget realistic, given the recent inability to meet average strengths?

Mr. Webb. The strength increases in the budget are based on mission and equipage manpower requirements. They are not arbitrary, but accurately and realistically reflect the manpower needed by the components to meet wartime tasking.

Question. How do you propose to remedy this situation?

Mr. Webb. Strong emphasis is being placed on retention of current members. In addition, recruiting resources have been increased with specific targeting on non-prior service accessions. The new GI Bill coupled with Selected Reserve incentives will be key tools in meeting strength objectives. The first quarter success of the reserve components which met or exceeded their programmed goals is most encouraging.

Proposed Reserve Incentives

The Reserves currently offer (on a targeted basis) a number of enlistment/reenlistment incentives. The Department of Defense has strong preliminary data that the incentives have increased the

Reserve reenlistment rate significantly, lengthened the term of commitment, and reduced attrition.

The authority to provide these incentives--including the Selected Reserve Enlistment and Reenlistment Bonuses, the IRR Enlistment and Reenlistment Bonuses, and the Student Loan Repayment program--expires at the end of the fiscal year. The Department of Defense proposes a five-year extension of the authority to provide the incentives as well as substantial increases in the amount of the bonuses. For example, the services currently pay a Selected Reserve Enlistment Bonus of up to $2,000 to an individual who enlists in a critical skill or a hard-to-man unit for 6 years. The Department of Defense proposes raising this ceiling to $5,000.

Question. Secretary Webb, could you briefly outline the proposed Reserve incentive package?

Mr. Webb. We are asking for a five-year extension of the bonus authorities and an increase in the ceilings established in law. Our proposal also seeks authority for a new incentive to attract prior service veterans who possess skills needed in the reserve components. The cash bonuses for enlistment and reenlistment would be raised to a maximum of $5,000 for a 6 year commitment and $2,500 for a 3-year reenlistment; the affiliation bonus to $75 per month of obligated service performed in a reserve unit; the proposed new prior service incentive would have a maximum $2,500 for a 3 year commitment and up to $5,000 for 6 years. While we would envisage limited use of incentives above the current maximums, I believe the higher limits are needed for the most critical skills and units. The loan repayment incentive expires at the end of fiscal year 1986. We are requesting a four year extension of the incentive and authority to offer it to persons who possess critical professional skills such as doctors and nurses. We are also requesting a 5-year extension of the IRR bonuses at the current levels.

Question. I understand that the value of current cash bonuses has eroded since the bonuses originally were authorized. However, these are large increases. What would be the effect of reauthorizing the Reserve incentives at the current levels? How much money would this save as compared to the Department's proposal?

Mr. Webb. The effect of reauthorizing the incentives at the current levels would be the further erosion of their effectiveness in attracting new members and encouraging longer commitments. By holding the incentives at the current levels, there would be an initial savings of $32 million in FY 86. Over the long term, however, we believe the additional investment would more than pay for itself in reduced attrition, in quality of accessions and in achievement of required strengths in critical units and skills.

Question. If Congress approves the higher amounts, do you plan to implement them immediately? Who would receive the maximum benefit?

Mr. Webb. We would implement only as needed and only at the levels necessary to fix skill imbalances or severe shortages in high priority units.

Reserve Equipment/Use of Simulators

Question. Secretary Webb, I was pleased to read of the new equipment the Reserves are and will be receiving. I am concerned, however, that production and delivery lags will cause some units to "go without" for significant periods of time. You mentioned the importance of simulators in your statement. Are you attempting to ensure that those units that will not receive required equipment for several years will have access to simulators in the near future?

Mr. Webb. Our objective is to provide the Reserve components with the equipment with which they will be expected to fight. For those units which have not received modern equipment our policy is that they must be able to fight with the equipment they are currently provided. Consequently, training programs focus on unit proficiency with on-hand equipment. When force modernization causes the introduction of new equipment into the Reserves, simulators are provided as an integral part of the supporting training package. The operation of modern weapon systems is too expensive to perform the training necessary to sustain a service member's required skill level. The use of simulators at specific points in the training cycle results in overall savings by reducing ammunition, equipment maintenance, fuel and other related operating expenses.

Increase in Full-time Support Request for Army National Guard and Army Reserve

Last year, the committee directed that the Army National Guard and the Army Reserve attain 14 percent full-time support by 1989 in order to enhance the readiness and improve the effectiveness of the reserves. The committee recommended reducing the request for some of the additional active guard and reserve (AGR) personnel requested last year in order that the 14 percent by 1989 goal be achieved by a steady ramp rather than by large increases in fiscal years 1985-1986 followed by little or no growth in fiscal years 1987-1988.

The Army is requesting more than 14,000 growth in AGR personnel in fiscal year 1986. This level represents more than what a steady ramp to 14 percent in 1989 would be. (A steady ramp would be 11,600 growth each year.)

Question. Secretary Webb, you are requesting more than 14,000 additional active guard and reserve (AGR) personnel for fiscal year 1986 for the Army National Guard and Army Reserve. Does this represent a steady ramp to 14 percent full-time support by 1989? Given that the committee directed the Army to achieve 14 percent full-time support by 1989 in its reserve components by a steady ramp, why is the Army requesting more than this level?

Mr. Webb. We do not disagree with the expressed sense of Congress that members of the Army Reserve and Army National Guard providing full-time support should be increased to 14 percent of strength by 1989. However, our budget requests are based on a detailed examination of requirements and a specific plan and program to achieve our objective. The ramp-up in execution of this plan has been relatively steady although the percentage increase has varied from year to year.

Army White Paper on Full-Time Support

FORSCOM recently produced a "think piece" on full-time support that could serve as a basis for establishing a comprehensive management plan of civilian technicians and Army Guard and Reserve (AGR) personnel in the Army Reserve. Basically, this white paper suggests that technicians should be taken out of troop program units and placed in "center support teams" at Army Reserve Centers and that AGRs should be solely responsible for full-time support of mobilizable units. Such a plan, FORSCOM argues, would eliminate the "side-by-side" rivalry currently experienced by technicians and AGRs serving in the same unit and put full-time military (AGRs)--rather than full-time civilians and part-time military (civilian technicians)--in charge of mobilizable units. FORSCOM also suggests that the elimination of the requirement that civilian technicians be drilling members of reserve units may be useful as a way to attract higher quality people.

Question. Secretary Webb, what is your opinion of the FORSCOM white paper on full time support?

Mr. Webb. I am aware of the FORSCOM white paper, but it would be inappropriate for me to comment on it since it is an internal Army working paper and does not represent an official Army position.

Question. Do you believe that civilian technicians in the Reserve units hurt readiness?

Mr. Webb. To the contrary, dual status technicians are a significant factor in achieving and maintaining readiness.

Question. Do you believe that the "dual status" of technicians should be terminated?

Mr. Webb. Dual status, wherein the technician is both an employee and a military member of the component by which employed, provides continuity to unit training and aids unit mobilization. Dual status of technicians should be retained.

Question. If you implement the plan in the Army Reserve, will you also implement it in the other reserve components?

Mr. Webb. I am unaware of any specific implementation plans related to the FORSCOM White Paper.

Question. Wouldn't the implementation of this plan cause considerable personnel turbulence and dissatisfaction (especially on the part of civilian technicians) in the Army Reserve?

Mr. Webb. Since there are no plans to implement, I will not attempt to speculate on possible turbulence.

Question. What role will your office play in the Army's decision on implementing the white paper?

Mr. Webb. We meet frequently with Army representatives to discuss full-time support matters, and carefully review all program and budget proposals or legislation affecting full-time support programs in all Services.

Individual Ready Reserve (IRR) Training

Question. Secretary Webb, I am concerned about the ability of the IRR to mobilize and to do its job upon mobilization. On page 29 of your statement, you note that the budget request "reflects a substantial growth in resources to conduct training for IRR members to ensure that their skill proficiency does not degrade to an unacceptable level." Could you elaborate on this statement? I understand that the Army currently requires at least one training period for IRR personnel receiving a reenlistment/extension bonus for a 3 year commitment. Would you support extending this requirement to the other IRR components? How would the "annual muster" of part or all of the IRR you refer to on page 29 work?

Mr Webb. With the passage of the eight-year military service obligation and accompanying Congressional direction, we required the Services to program the refresher training necessary to ensure that members of the IRR maintain minimum occupational proficiency. The dollars programmed to support IRR mobilization training in FY 86 are nearly double the amount spent on such training in FY 84. We anticipate continued steady growth in this area as the Services comply with defense guidance to determine IRR skill proficiency degradation and conduct appropriate refresher training by FY 88.

DoD policy allows each Service to determine whether or not to use any sort of IRR training for bonus-takers. We don't believe a uniform requirement for IRR training necessarily would be cost-effective due to unique Service requirements.

An "annual muster" of part or all of the IRR would be an effective means of assessing the availability and readiness of individual members. It would ensure that we are able to locate an individual, as well as offer reasonable assurance that individual will be available upon mobilization. Musters would also provide periodic opportunities to evaluate an individual's physical readiness and skill proficiency, and to determine what, if any, refresher training he may require. The details of conducting an annual muster still need to be worked out, but an overriding objective would be to make it efficient and economical.

Expanded Student Loan Repayment Authority

Under a program enacted in 1981, the Secretary of Defense may repay federal student loans up to 15 percent or $500, whichever is greater, for each year of enlisted service in a selected reserve component and military skill designated as critical by the secretary. Currently, the Army National Guard, Army Reserve, and Air National Guard are using the loan repayment incentive which is scheduled to expire on September 30, 1986.

Secretary Webb's statement (page 25) proposes extension of this repayment authority to the lower three officer and warrant grades to attract certain technical and professional skills.

Question. Secretary Webb, your statement proposes extension of the loan repayment authority to the lower three officer and warrant grades. To what specific professional groups would you propose that the extension of this authority be granted?

Mr. Webb. We plan to offer loan repayment primarily to attract health professionals in those combat medical specialties in which we are critically short.

Question. In the case of health professionals, specifically doctors, do you feel that the current dollar levels are adequate to attract a significant number of participants or should there be a different repayment schedule in the case of physicians?

Mr. Webb. The current law permits repayment of qualifying federal student loans at the rate of 15 percent or $500, whichever is greater, plus interest, for each year of reserve service performed. Since there is no limit established on the total value of loans that could be repaid, we believe this incentive would be attractive to health professionals. A physician with $30,000 in loans could earn repayment at a rate of about $4,500 for each year of reserve service performed and a total of approximately $27,000 over a 6 year commitment.

Question. Do you have an analysis of the potential impact?

Mr. Webb. We have requested information from the Department of Education on the federal loan debt burden of graduating health professionals and will examine the data in relationship to the proposal. In general, we believe the loan repayment incentive would have more appeal to health professionals than it has as an enlistment inducement.

Joint Medical Readiness Planning in European Command

Last year, at the direction of the Secretary of Defense, The Assistant Secretary of Defense for Health Affairs surveyed joint medical readiness planning in Europe and submitted a report pointing out a number of problems and shortcomings that could result in unnecessary deaths of American Service personnel unable to receive care in the event of a major conflict in Europe.

Question. Secretary Webb, knowing your strong personal interest in the issue of medical readiness, I would appreciate your observations from a reserve perspective on the report from Dr. Mayer to Secretary Weinberger on joint medical planning in the European command. What do you feel the primary medical readiness issues are today?

Mr. Webb. The three basic issues revolve around personnel, equipment,and training. We must ensure that the reserves attract talented people, not only in the physician-surgical specialties, which is a rather well-publicized issue, but also in the nursing and enlisted surgical skills as well. We have initiated a study of reserve medical skills by type of unit. This study will assess the match of actual experience and qualification versus authorized positions. It should provide valuable insight into medical personnel issues by specialty and by unit.

In the equipment area, we are aware of significant shortages in mission-essential medical equipment. Not only must the shortages be eliminated, but the reserve medical units also must be adequately trained and qualified on the equipment they will use upon deployment.

Our office has been briefed by European Command medical planners on their current medical readiness situation. We share their concern over the European medical readiness situation. As participants in several NATO reserve forums, we have included medical readiness in our discussions. Our office has been the catalyst in addressing medical issues such as casualty rate determination which affects both active and reserve medical components.

In short, we are heavily involved in medical readiness issues. Medical mobilization and readiness is one of our office's high-priority issues.

Reserve Physician Shortage

In the event of mobilization, a substantial portion of the nation's wartime medical capability will be in the reserves. At the same time, the reserve forces are critically short of doctors and other health care providers.

Question: What do you consider the most cost-effective incentives to increase the number of physicians and other medical personnel in the Selected Reserve? In the Individual Ready Reserve?

Mr. Webb: Of very great importance in the health professions is the ability to properly credit professional experience at time of initial appointment as a commissioned officer. Procedures in this regard now work well except in those health professions where the first professional degree is at the baccalaureate level. For professionals in these areas--and nursing is numerically the largest category here--we cannot credit professional experience. This has been a tremendous hindrance to the effective recruiting of nurses who are experienced in the scarce skills we need in the Selected Reserve--such as operating room nurses and nurse anesthetists.

As I mentioned with respect to the existing loan repayment authorities, we believe it would be beneficial to extend this authority to the lower three officer and to the warrant officer grades to attract certain technical and professional skills. We would use such expanded loan repayment authority primarily to attract health professionals in those combat medical specialties where we are critically short.

We are also looking at other incentives, such as those included in H.R. 1498, to determine costs and estimate the benefits we could expect to receive in return. We are looking at what is needed to retain our health professions in the most critical skills as well as what is needed to attract them initially.

Medical Coverage for Reservists

Question. In your testimony (page 32) you indicate that improvements are needed in the medical care coverage provided to reservists and guardsmen. What specific type of changes are you considering?

Mr. Webb. The changes under consideration are ones that will enable the DoD to provide adequate medical and economic protections for our Guard and Reserve members and their families in the event the member is disabled or dies as the result of performing military duty other than active duty for more than 30 days. Such protections are necessary in light of the intense training and exercises necessary to ensure their readiness for wartime and contingency missions. We are particularly concerned about the lack of protection currently authorized when the disability or death is the result of illness or disease incurred in the line of duty. Under those circumstances, the member is generally not entitled to compensation while convalescing, nor disability retirement benefits if permanently disabled Additionally, if the death resulted from an illness or disease incurred or aggravated on inactive duty training, the member's survivors would not be entitled to Dependency and Indemnity Compensation (DIC). We would also like to restructure the method by which the entitlement to incapacitation pay (pay and allowances during convalescence) is determined. Under the present law, a member receives such compensation only when unable to perform his normal military duties. There are numerous instances of members being able to perform their military duties (and thereby denied such compensation) but unable to return to their normal civilian career. The DoD Inspector General audit of this matter concluded that adoption of the changes we propose could, in fact, reduce incapacitation pay costs because such payments would not be made unless there was a demonstrated loss of civilian earned income as a result of the illness, injury or disease.

Question. When do you anticipate that this package will be submitted to Congress?

Mr. Webb. Proposed legislation is now being coordinated with the Military Departments. We are striving to have a fully staffed proposal ready for your consideration this Session.

Proper Mix of Full-Time Support Personnel for the Guard and Reserve

There has been considerable discussion over the past few years about the proper mix between reservists on full-time active duty (Active-duty Guard/Reserve--AGR) and civilian technicians to provide support for the guard and reserve. In the past, when queried about the heavy emphasis placed on increasing the number of AGR personnel, with little or no increase in the number of civilian technicians, the Army, for example, has responded that the civilian personnel ceiling made it unrealistic to request more civilian technicians. In recognition of that problem, Congress last year removed the civilian personnel ceiling and directed the services to base their requests for full-time support personnel on the most cost-effective mix of personnel possible. That direction notwithstanding, the budget requests a growth of more than 19,600 full-time military (AGR) personnel with 1,176 additional technicians, nearly all of whom will be for the air components, despite the concerns expressed by the Appropriations Committee and others that AGR's are not necessarily the most cost-effective option. Little or no growth in technician program also constrains the career development potential for the technician work force.

Question. Secretary Webb, you are requesting some 19,000 additional full-time military support personnel and only 1,000 additional civilian technicians in fiscal year 1986. Why is there such a large discrepancy in these numbers? Given the tight fiscal environment and given that civilian technicians on the average are less costly than AGRs, why have you requested such a lopsided mix of civilians and military personnel for the full-time support program? Does your office plan to address the question of the most appropriate mix of full-time support personnel--specifically with reference to the Army--rather than assuming that more AGR's are the only option?

Mr. Webb. The bulk of the increase in full-time military support personnel (approximately 14,000) occurs in the Army's reserve components. An additional 4,500 growth is in the Navy's Training and Administration of Reserves (TAR) program (the Navy has no technician force, and approximately 1500 of that increase is simply a realignment of Reserve recruiters from the active Navy to the Selected Reserve). The Army increases occur primarily at unit level where it has been determined that full-time military members provide the most effective readiness support. This is the most pressing need, hence the Army request centered on AGR's. Future budget submissions (assuming a continued waiver of civilian end strength limitations) will continue to reflect the most cost effective force mix consistent with readiness requirements.

RESERVE OFFICER PERSONNEL MANAGEMENT ACT

Question. Secretary Webb, your statement (page 31) discusses the comprehensive reserve officer management legislation which has been in the works for a substantial period of time.

When do you expect that the new proposed Reserve Officer Management Act (ROPMA) will finally get to Congress?

Does your office intend to ensure substantial uniformity among the reserve components or will the legislation be more of a "wish list" for individual reserve component special interests?

Mr. Webb. We have the ROPMA proposal nearly complete and hope to obtain clearance for its submission in the near future. Our ground rule in drafting the legislation was that it should parallel and mirror the Defense Officer Personnel Management Act (DOPMA) for active duty list officers except in those aspects where differences were clearly warranted based on the specialized characteristics of reserve service. As a result it provides for substantial uniformity between the reserve components.

Manpower Hearing Question for Secretary Webb

Question. Much has been accomplished in recent years to address the problem of locating members of the Individual Ready Reserve, and I know that you would like to have access to IRS records to help track members. Right now, though, I'd like to check on another facet of the problem.

--How are we doing on making sure that our various systems can communicate with one another?

--Do we have continuing problems with computer incompatibility?

Mr. Webb. Within the Services there have been certain computer interface problems that affected IRR data. A February 1982 Defense Audit Service report found that the Army IRR strength was understated as a result of systems and procedure problems. The Army has implemented improved automatic transfer of data systems procedures to address this problem and, like all Services, now devotes significant resources to ensuring accurate IRR data.

All Services have participated in a recent data element by data element review of the DoD Reserve Component Common Personnel Data System (RCCPDS) to better define and meet data collection and accuracy requirements. Both the Army National Guard (ARNG) and the Army Reserve are undergoing significant changes in their data systems with the implementation of the Standard Installation/Division

Personnel System (SIDPERS) for these two Components. The Naval Reserve has incorporated the results of the RCCPDS review into redesign initiatives for its Inactive Personnel Management Information System. This process is intended to improve both the quality and coverage of all components' data bases. By 1986, all the systems should be expanded and improved so that common communication is possible. The DoD Directive covering the RCCPDS is being reissued with new policies and procedures that will formalize these initiatives and actions.

In addition, the files of the RCCPDS are being matched to those of other Federal agencies and with active duty files to support the Services' need for up-to-date addresses. The Veterans Administration offers a source for matching home addresses, while the Office of Personnel Management can provide employing Federal agencies, and a match with the Social Security Administration can identify deceased reservists who have not been removed from the IRR roles.

The Services now hold joint meetings semi-annually to address IRR problems and share approaches and methods. We have participated in these meetings. Despite those efforts, however, address information is not as good as we believe it can be and needs to be. That is why we feel access to the IRS address information is vital.

Your statement mentions the U. S. Court of Military Appeals decision in the Caputo case and your intent to submit a legislative proposal to clarify the status of reservists under the Uniform Code of Military Justice (UCMJ).

Question. When do you expect to present the legislative proposal?

Mr. Webb. In November 1984 the Navy accepted the review of Caputo as a project within the framework of the Joint Service Committee on Military Justice. The Navy review has been completed and the issue has been given a number one priority by the committee. It will probably be taken up during April by the committee. We anticipate that their work will form the basis for our legislative proposal which we would hope we could get to the Congress later this year.

Question. Would it really just be clarifying legislative intent to subject reservists to the Code on the same basis as active component members?

Mr. Webb. What we want to do is to ensure reserve personnel, while in a duty status (either inactive or active) are subject to the same high standards of conduct and to the same system of justice in the event military regulations are violated as their active duty counterparts. The problem that was highlighted by the Caputo case was one of jurisdiction and can only be resolved by legislative action. We feel strongly that the Total Force policy must be based on the same standards of conduct for both active forces and reserve forces.

Training Considerations in Doctrine and Strategy Formulation

Question. The Committee's attention has been engaged on the subject of training. Of special interest are the effects of doctrinal choices on training and, consequently, on manpower quality requirements.

What are your thoughts on taking training considerations into account earlier in the process of:

- o doctrine and strategy formulation?
- o weapon conception, design, and acquisition?
- o calculation of trade-offs between system technology and manpower quality to yield a fixed capability?
- o mobilization planning and post-mobilization operations

Mr. Webb. When formulating doctrine and strategy, a definitive statement must be made concerning the methodology of training units required to implement the conceived operations. When evaluating alternatives, the quality of available manpower and the availability of assets to train the personnel must also be prime considerations.

In terms of weapon conception, design, and acquisition, DoD directives require that training requirements be considered throughout the weapon system acquisition process. The objective is to have training systems in effect prior to deployment of the equipment in order to alleviate readiness degradation during the fielding phase. We must continue our efforts in this area to ensure the training aspect receives proper attention throughout the conception/design/acquisition process to derive maximum benefits from our investment.

The calculation of trade-offs between system technology and manpower quality to yield a fixed capability is accommodated when the human factor, particularly physical limitations, is taken into account in weapons design. The range of considerations includes physical strength of ammunition loaders to the capability of pilots to withstand G forces. The modern soldier, sailor and airman is the best educated, qualified and motivated in our history. It would be counterproductive to design weapons systems which require excessive technical training and formal education. There can be no doubt, however, that the quality of the personnel in the Guard and Reserve is such that these Reservists will be fully capable of operating the weapons systems currently planned. Service human engineering laboratories are continually developing methods of analyzing operator and technologically advanced systems interface to ensure demands for manpower quality are kept reasonable.

Training is taken into consideration as early as possible during the mobilization planning process. Training for mobilization missions is an inherent part of the training programs of all Reserve components and receives considerable emphasis during the training year. Exercises are conducted periodically to test mobilization plans and to ensure readiness. The lessons learned from each exercise are applied to constantly improve planning and post mobilization operations.

Question. What, if any, manpower research projects might identify ways to temper the demand for manpower quality against fluctuating demographic, technological, and doctrinal forces?

Mr. Webb. It is clearly important that the doctrinal, strategic, human factors and operational considerations you refer to be considered within a systems analysis framework. They are not sequential considerations but interactive. My specific concern of course is in the way such matters affect the Guard and Reserve forces and their missions and utilization. Training time and availability is a concern whenever you discuss part-time military members whose full time occupation is in the civilian sector. There are both time and geographic constraints. But there are several ways to deal with these constraints. The use of simulators can help. Additional training periods for specific skills can be provided, and in some cases, reserve units and members may be more cost effectively qualified on specific aspects of a weapons system rather than on the full range of missions associated with that system.

The demand for quality enlistees in the reserve components is important with respect to training and qualification for certain skills. It also relates significantly to attrition. In the Army National Guard and Reserve, for example, two year attrition probabilities for non-high school graduates are forty to fifty percent higher than for high school graduates. A similar pattern emerges when mental aptitude categories are analyzed. Unprogrammed attrition is one of our prime concerns because it is costly and the turbulence created impacts on unit training, skill qualification levels and general readiness.

PRIVATE SECTOR BENEFITS

Question. What are your thoughts on improving private sector employer relations, to the benefit of the reserve components, by demonstrating the appreciation in human capital that attends military skills training?

Mr. Webb. I believe we can probably do better in this area since I am convinced that Guardsmen and Reservists are, as a group, superior employees. This is partly due to the training which they have had, but it also relates to the dedication and character associated with the volunteer citizen-soldier. Notwithstanding the quality of reservists as employees, however, there is substantial support required from our public and private sector employers since Guard and Reserve service are demanding of members' time and employers often must work hard to juggle shift, weekend, and leave schedules to accommodate the training requirements of reserve members.

We work hard to gain this support and our National Committee for Employer Support of the Guard and Reserve continues to make good progress through its active programs.

(The following additional statements were submitted for the record:)

Prepared Statement of Capt. John C. Rice, Jr., USNR, National President, Naval Reserve Association

Mr. Chairman, Committee members, we appreciate your allowing the Naval Reserve Association to provide testimony to the Committee for your consideration. The Congress has the attention of the services, particularly in the Navy where the joint effort by Congress and Secretary Lehman have created a new interest in the Naval Reserve. We now ask you to follow through on the movement to furnish the Guard and Reserve with the equipment to give them a current warfighting capability. We are concerned that if the Guard and Reserve units, which assume the additional responsibilities as a result of the expanded or new roles assigned to them, are not supplied with the combat capable equipment to go with the responsibilities, that the effort to make the Reserve Components more responsive to national security requirements will become "dead in the water".

The Naval Reserve Association will continue its efforts to support the modernization and improvement of the capabilities of the Naval Reserve. Total Force planning, programming and budgeting is the key. Secretary John Lehman, Jr. in his Fiscal Year 1986 Posture Statement reaffirmed his policy of "horizontal integration" stating:

> "Four years ago the Department of the Navy undertook a major reorganization of Reserve Components to move from a vertical to a horizontal relationship with the active forces. That means essentially that the Reserves must provide immediate augmentation to the active force in time of emergency across the entire spectrum of warfare. It means also that, in peacetime, we rely on Selected Reserves to provide real-time fleet support across their mission areas. To execute this common-sense policy, the Reserves must have equipment compatible with the active forces. For instance, instead of providing the Reserves only such equipment as becomes obsolete and is removed from the active force, there must be a spectrum of new and old equipment reflected in the Reserves parallel and in the same proportion as in the active force. We have taken fundamental steps to bring this about.
>
> "o Modern FF-1052 and FFG-7 Frigates have been transferred to the Naval Reserve Force with a total program of 26 frigates planned by 1990.
>
> "o The first Reserve squadron has now transitioned to the F/A-18 and another squadron to the F-14A.
>
> "o Modern A-7E, E-2C, SH-2F, and HH-60 aircraft have been or are being transferred or acquired for Reserve units this year with other fleet aircraft to follow during the current five-year plan.
>
> "o Squadron augmentation flying units have been established and have been operating successfully with each active duty air wing, providing current-trained aviators and maintenance personnel for immediate augmentation to active duty squadrons.
>
> "The Naval Reserve contains several components which only exist in the Reserves: 100 percent of the Navy's U.S.-based logistic airlift squadrons, 100 percent of light attack helicopter squadrons, 100 percent

of our combat helicopter search and rescue capability, 100 percent of naval mobile inshore/undersea warfare units -- "The Brown Water Navy" structure for combat on inland waterways. Upon mobilization the Reserves provide 99 percent of naval control of shipping, organization manning for merchant ship mobilization and convoy formation for overseas operations; 86 percent of ocean-going mine sweepers; 86 percent of cargo handling battalions vital to port management and loading operations in a combat theater; 85 percent of Military Sealift Command Military personnel; 68 percent of Navy Mobile Construction Battalions; the famed SEABEES; 66 percent of special boat forces; 34 percent of Naval Intelligence personnel; 35 percent of maritime anti-submarine warfare patrol squadrons; 30 percent of medical support personnel; 22 percent of ASW Helicopter Squadrons needed for fllet and convoy anti-submarine defense efforts; and 14 percent of our tactical sea-based aviation capabilities.

"The Marine Corps relies heavily on a fully trained and capable Reserve component to complement its active force. The Marine Corps Division/Wing team (the 4th Marine Division/Aircraft Wing Team) comprises one-fourth of our total Marine Corps combat structure and one-third of total Marine Corps manpower assets. The Reserves provide 40 percent of Marine tanks, 33 percent of heavy artillery, 30 percent of the light attack aircraft, and 33 percent of the anti-aircraft missile capability. It is not often realized how fully integrated our Navy and Marine Corps Reserves are becoming in our active force structure and peacetime operations. Naval Reserve C-9 Transport aircraft made many trips in support of our Marines ashore in Beirut during 1983 and 1984 and provided direct support to our operations in Grenada during the same period.

"As another example, the Ready Reserve provided 349 volunteers for three-week tours of duty aboard the battleship NEW JERSEY during its 11-month deployment, enabling most of the crew to rotate home for leave.

"A most successful new initiative begun in 1983 was the Sea/Air Mariner Program that now provides 10,000 first-term enlistments per year directly into the Naval Reserve. We are beginning a similar program this year for junior officer accessions directly into the Reserves in both the Navy and the Marine Corps."

Secretary of Defense Caspar W. Weinberger in his Annual Report to Congress Fiscal Year 1986 echoed the sentiments of Secretary Lehman when he stated:

"Under the Total Force Policy, the Reserve Components have assumed an increasingly important role in our conventional defense strategy. The creation last year of the position of Assistant Secretary of Defense for Reserve Affairs recognizes the critical role that Reserve Component forces would play in any conventional conflict.

"During the past four years, we have operated significantly the combat capabilities of the Reserve Components of all four Services. We have, for example, improved the equipment, training, and manning of Army and Marine Corps reserve units. Following the "first to fight, first to be equipped" policy, early deploying Army National Guard and Reserve units are receiving modern weapons systems before later-deploying active duty units. In FY 1985, these units are scheduled to receive more than 10,000 new items of equipment costing about $1.4 billion — including 180 M1 tanks, 64 BFVs, and 8,000 modern support vehicles. New Marine Corps equipment includes KC-130T tanker aircraft and M198 howitzers. Guard and Reserve units are also benefiting from the more rigorous training afforded by increased participation in realistic field exercises.

"Under the Total Force Policy, the Naval Reserve is continuing its most ambitious expansion since World War II. The Navy's reserve structure is being simultaneously enlarged and modernized, to meet the needs of a 600-ship fleet and to strengthen the contribution of Reserve forces across the entire spectrum of warfare. Overall, the end strength of drilling Reserve units will have grown by 30 percent by FY 1989, and their

EQUIPMENT INVENTORIES WILL HAVE BEEN SUBSTANTIALLY UPGRADED. NAVAL RESERVE PILOTS ARE NOW FLYING THE F-14 AND THE F-4S, AND ARE TRAINING IN THE F/A-18. BY THE END OF FY 1985, WE WILL HAVE TRANSFERRED 11 MODERN FF-1052 AND FFG-7 FRIGATES TO THE NAVAL RESERVE FORCE (NRF), LEADING TO A TOTAL OF 26 RESERVE FRIGATES BY THE END OF THE DECADE. BASED ABOARD THESE SHIPS WILL BE THE SH-2F ANTI-SUBMARINE HELICOPTERS OF THE THREE RESERVE SQUADRONS NOW BEING FORMED. WE WILL DEPEND ON THE NRF TO MAN ALMOST ALL OF OUR NEW MCM-1 AND MSH-1 MINE COUNTERMEASURE SHIPS, NOW UNDER CONSTRUCTION. IN ADDITION, WE ARE MODERNIZING OUR 13 RESERVE SQUADRONS OF P-3 MARITIME PATROL AIRCRAFT. BY FY 1989, WE WILL HAVE COMPLETED UPGRADES TO THE AN/AQA-7 ACOUSTIC PROCESSOR SYSTEMS ABOARD THE OLDER P-3 "A" AND "B" MODELS NOW OPERATED BY THE RESERVES. AS A PRELIMINARY STEP IN THE EVENTUAL TRANSITION OF THE RESERVES TO THE MODERN P-3C AIRCRAFT, WE HAVE ESTABLISHED OUR FIRST MASTER AUGMENTATION UNIT WITH TWO P-3C AIRCRAFT. TWO MORE SUCH UNITS ARE PLANNED IN FY 1987-88.

"THE COMBAT CAPABILITY OF OUR RESERVE FIGHTER FORCES (AIR NATIONAL AND AND AIR FORCE RESERVE) HAS ALSO CONTINUED TO IMPROVE. WE HAVE TRANSFERRED HIGHLY CAPABLE F-16 AIRCRAFT TO RESERVE UNITS, AND ARE REPLACING EARLY MODEL F-4C/Ds WITH THE MORE CAPABLE "E" VERSION OF THE AIRCRAFT. AND IN FY 1986, WE WILL INTRODUCE F-15 AIR SUPERIORITY FIGHTERS INTO THE RESERVE INVENTORY.

"IN ADDITION TO DEPLOYING MORE MODERN SYSTEMS WITH OUR RESERVE FORCES, WE ARE UPGRADING THE COMBAT CAPABILITIES OF THE AIRCRAFT. ENHANCEMENTS INCLUDE THE EQUIPPING OF FIGHTERS WITH ADVANCED AIM-9L AIR-TO-AIR MISSILES AND WITH LOW-SMOKE ENGINES AND IMPROVED RADAR-WARNING RECEIVERS. THE FORCES ARE RECEIVING MODERN AIR-TO-AIR AND AIR-TO-GROUND MUNITIONS, ALONG WITH THE ADVANCED TRAINING NEEDED TO EMPLOY THESE WEAPONS EFFECTIVELY.

"RESERVE FORCES ALSO ARE BEING MODERNIZED THROUGH THE TRANSFER OF LONG-RANGE C-141 TRANSPORT AIRCRAFT TO THE AIR FORCE RESERVE AND AIR NATIONAL GUARD. THESE TRANSFERS EXPAND UPON THE SUCCESSFUL ASSOCIATE RESERVE PROGRAM, UNDER WHICH ACTIVE AND RESERVE UNITS ARE COLLOCATED. MODERNIZATION OF SHORTER RANGE AIRLIFT FORCES CONTINUES AS NEW C-130 AIRCRAFT ARE BROUGHT INTO THE AIR RESERVE INVENTORY. THIS FORCE EXPANSION IS IN KEEPING WITH THE OBJECTIVE OF TRANSFERRING TO THE RESERVES THOSE MISSIONS THAT ARE COST-EFFECTIVE AND DO NOT DECREASE THE COMBAT CAPABILITY OF THE TOTAL FORCE."

THE CONTINUED RELIANCE ON RESERVE FORCES IS REFLECTED IN THE PRECEDING STATEMENTS. THE NAVAL RESERVE ASSOCIATION FULLY SUPPORTS SECDEF, SECNAV AND CNO IN THEIR EFFORTS TO MODERNIZE THE NAVAL RESERVE.

THE CURRENT BUDGET REQUEST CONTAINS SOME $1.4 BILLION FOR RESERVE EQUIPMENT. TRADITIONALLY, THE NAVAL RESERVE HAS BEEN ALLOCATED A SMALL PART OF THIS APPROPRIATION AND HAS DEPENDED ON CONGRESSIONAL BUDGET AMENDMENTS AND OTHER FUNDING ADJUSTMENTS TO MEET MINIMAL MODERNIZATION GOALS. A CASE IN POINT IS LAST YEAR'S DEPARTMENT OF THE NAVY PROCUREMENT PROGRAM FOR RESERVE COMPONENTS (INCLUDING THE 4TH MARINE AIRCRAFT WING) WHICH TOTALED $101.0 MILLION INCLUDING $33.0 MILLION FOR C-9B PROCUREMENT. CONGRESS ADDED $68 MILLION FOR F-14 MODERNIZATION, $7.5 MILLION FOR AQA-7 DISPLAY UPDATE AND $12.0 MILLION FOR H-60 HELICOPTERS. THESE AND OTHER CONGRESSIONAL ADDITIONS CONTRIBUTED SIGNIFICANTLY TO THE READINESS OF THE NAVAL RESERVE.

THE NAVAL RESERVE ASSOCIATION WILL ADDRESS THE FOLLOWING ISSUES:

- o ANTI-SUBMARINE WARFARE
    - P-3C PROCUREMENT
    - P-3A/B SIGNAL PROCESSING IMPROVEMENT
    - LAMPS I TO SUPPORT NRF SHIPS AND COAST GUARD CUTTERS
    - TACTAS FOR NRF FRIGATES
- o TOWED ARRAY TRAINER
- o MINE WARFARE
- o ARAPAHO
- o NAVAL RESERVE STRENGTH
- o EXPANDED RECALL AUTHORITY

ANTI-SUBMARINE WARFARE

THAT THE SOVIET SUBMARINE THREAT GROWS INCREASINGLY MENACING IS A GRIM FACT OF LIFE THAT ALL DEFENSE PLANNERS RECOGNIZE.

SECRETARY WEINBERGER IN THIS YEAR'S ANNUAL REPORT TO CONGRESS STATED:

WITH RESPECT TO THE SOVIET SUBMARINE FORCE,

> "PARTICULARLY WORRISOME HAVE BEEN THE ADVANCES IN THE SOVIET SUBMARINE FLEET. THIS MASSIVE UNDERSEAS COMBAT FORCE -- AT MORE THAN 370 BOATS, BY FAR THE WORLD'S LARGEST -- HAS IMPROVED GREATLY IN QUALITY OVER THE PAST DECADE AND A HALF. THE 1970S SAW THE INTRODUCTION OF SEVERAL NEW SUBMARINE TYPES, INCLUDING THE NUCLEAR-POWERED ALFA AND VICTOR III AND THE DIESEL-ELECTRIC TANGO. CLASSES INTRODUCED DURING THE 1980S HAVE YIELDED SUBSTANTIAL ADDITIONAL IMPROVEMENTS ACROSS THE FULL RANGE OF SUBMARINE CAPABILITIES. FOR EXAMPLE, THE (RUSSIAN) 13,000-TON OSCAR, ARMED WITH 24 SS-N-19 LONG-RANGE ANTI-SHIP MISSILES, HAS SIGNIFICANTLY INCREASED THE SCOPE AND MAGNITUDE OF THE THREAT TO OUR CARRIER BATTLE GROUPS AND OTHER SURFACE FORCES. STILL OTHER NEW CLASSES NOW BEING DELIVERED TO THE FLEET, SUCH AS THE 9,700-TON MIKE AND THE 7,300-TON SIERRA, CAN BE EXPECTED TO YIELD FURTHER IMPROVEMENTS IN SOVIET SUBMARINE CAPABILITIES IN FUTURE YEARS. THESE INCLUDE INCREASES IN SIZE, WHICH PROVIDE MORE SPACE FOR WEAPONS, AND ENHANCEMENTS IN SPEED AND SOUND QUIETING, WHICH MAKE THE SUBMARINE MORE DIFFICULT TO DETECT AND ENGAGE."

SECRETARY OF THE NAVY JOHN F. LEHMAN, JR. IN HIS FISCAL YEAR 1986 MILITARY POSTURE STATEMENT ELOQUENTLY EXPRESSED HIS CONCERN OVER THE SOVIET SUBMARINE THREAT WHEN HE STATED:

> "THE SOVIETS ARE DEMONSTRATING EVERY DAY AT SEA THAT WE NO LONGER HAVE A PASSIVE DEFENSIVE STRATEGY AVAILABLE TO US ON THE WORLD'S OCEANS. UNLIKE WORLD WAR II, WE DO NOT HAVE A MERCHANT MARINE ABLE TO SUSTAIN LOSSES IN A SUBMARINE WAR OF ATTRITION. THE SOVIETS TODAY HAVE MORE THAN 270 ATTACH SUBMARINES, WHILE HITLER VERY NEARLY WON THE SECOND WORLD WAR IN 1942 WITH ABOUT 60 SUBMARINES OPERATIONAL DURING MOST OF THE YEAR.
>
> "THE SOVIET SUBMARINE THREAT IS OF PARTICULAR CONCERN AND 1983 AND 1984 SAW MAJOR DEVELOPMENTS. NOT ONLY DID WE HAVE TWO INCIDENTS OF SOVIET NUCLEAR ATTACK SUBMARINES ACTUALLY HITTING OR INADVERTENTLY FOULING OUR

surface combatants, but we have now seen a developing pattern of regular deployments of nuclear attack submarines close off our principal naval ports. These Soviet nuclear submarines today have made great strides in quieting and overall capability in sensors and weapons. They currently are building three new classes of nuclear attack submarines, the SIERRA, MIKE, and AKULA, and one new class of diesel attack submarine, the KILO. They are building two distinct classes of ballistic missile submarines, the TYPHOON and DELTA IV, and have at least one new submarine-launched ballistic missile program, the SS-NX-23.

"While the Soviets have had long-range cruise missiles capable of land attack deployed for more than 20 years, they deployed in 1984 for the first time a longer-range submarine-launched cruise missile comparable to our TOMAHAWK. While this new nuclear capability does not add to the target coverage or overall threat already existing against U.S. targets in their SLBM force, it does complicate our ability to ensure warning time for attack against our bomber bases. For the last five years the Soviets have averaged a production rate for all submarines of about 10 per year. This rate is expected to continue for the next four years at least."

The following statements of Secretary Weinberger contained in his FY 86 posture further stress the vital role that long-range maritime patrol aircraft must play in neutralizing this Soviet threat:

With respect to our ASW Programs,

"Countering the Soviet submarine threat requires a layered offensive strategy that both maximizes enemy attrition and affords a high level of protection for our naval forces. The best means of neutralizing enemy submarines is to engage them in forward areas and barriers — before they come within range of attacking our forces. For this, we rely primarily on attack submarines and long-range P-3 patrol aircraft supported by undersea surveillance systems. Enemy submarines that escape forward sweeps and penetrate our ASW barriers must contend with a layered defensive screen surrounding our naval task forces and convoys. Within this layered defense system, long-range protection is provided by land- and carrier-based patrol aircraft and by attack submarines operating in a direct-support role. At shorter ranges, protection is provided by information of surface combatants equipped with passive and active sonar systems and by torpedo-armed anti-submarine helicopters."

With respect to the P-3 MPA program,

"P-3 maritime patrol aircraft, when provided information from broad-area surveillance systems on the general location of Soviet submarines, offer our most potent area anti-submarine capability. Fleet exercises have also demonstrated the aircraft's utility as long-range protection forces for carrier battle groups and other naval task forces. Several characteristics of the P-3 system contribute to these capabilities. The aircraft's long-range and high endurance enable it to cover large ocean areas. Its large number of sonobuoys and advanced data-processing systems help pinpoint the location of enemy submarines. And its large payload of ASW torpedoes provides the capability to translate submarine detections into submarine kills.

"The FY 1986-90 program continues production of the latest model in the P-3 series, the P-3C. A total of 250 of a planned force of 316 of these aircraft have been authorized through FY 1985. The five-year program adds 42 more — all in the Update III configuration — including nine in FY 1986. To promote program stability and to achieve cost savings, we are requesting funds to start a multi-year procurement program for the 33 aircraft scheduled for authorization during FY 1987-90. Beyond the procurement of new aircraft with improved performance features, we are retrofitting Update III avionics into earlier versions of the P-3C. For the future, we are developing an Update IV version of the P-3C with expanded processing capabilities and a new family of acoustic sensors designed to counter the quieting trend in the Soviet submarine force."

RESERVE MARITIME PATROL (VP) SQUADRONS

The Maritime Patrol Force consists of 37 squadrons each containing nine (9) P-3 aircraft. Twenty-four (24) of these squadrons are active Navy and thirteen (13) are reserve.

The active Navy squadrons are equipped with P-3B and P-3C aircraft ranging in configuration from the most current production model, the P-3C Update Three, to the early non-updated P-3C and last-production P-3Bs.

The Reserve VP squadrons are equipped with the early P-3A and P-3B aircraft. Reserve squadron location and aircraft type are depicted below:

Squadron	Location	FY 86	Note
VP-60	Glenview, IL	P-3B	P-3C, FY 93
VP-90	Glenview, IL	P-3A	P-3B, FY 92
VP-62	Jacksonville, FL	P-3B	P-3C, FY 92
VP-64	Willow Grove, PA	P-3A	
VP-66	Willow Grove, PA	P-3A	
VP-65	Pt. Mugu, CA	P-3B	
VP-67	Memphis, TN	P-3A	P-3B, FY 89
VP-68	NAF Wash, MD	P-3B	
VP-69	Whidbey Island, WA	P-3A	
VP-91	Moffett, CA	P-3B	P-3C, FY 91
VP-92	S. Weymouth, MA	P-3B	
VP-93	Detroit, MI	P-3B	
VP-94	New Orleans, LA	P-3B	

The Reserve VP community represents 35% of the Naval Maritime Patrol Squadrons. Today the most critical issue facing our Maritime Patrol Squadrons is the block obsolescence of the early P-3A and lightweight P-3Bs. These two models represent 43% of our total aircraft and almost 100% of our Reserve Force aircraft. In the early to mid-60s the Navy bought the P-3A and P-3B aircraft at a high rate to replace their force of obsolete SP-2H Neptune aircraft. The aircraft delivered in the 1964-68 time-frame will reach the end of their 28 year fatigue life between 1992 and 1996.

The problem this mass obsolescence causes in terms of force loss and required budgetary outlays has been widely recognized.

During the FY 85 hearings, VADM Schoultz, the then Deputy Chief of Naval Operations (Air Warfare) was asked:

> "What production rate starting in FY 85 would be required so that aircraft could be transferred from the active force to the reserve force to replace the P-3As and lightweight P-3Bs as they reach the end of their service life without incurring a reduction in either the active or reserve force levels?"

Admiral Schoultz: "The P-3C procurement rate necessary to provide reserves with sufficient aircraft to replace the aging P-3As and P-3Bs is 22 per year."

In the SASC report 98-500 dated May 31- 1985, the committee stated:

"The administration requested funds in fiscal year 1985 for continued procurement of P-3Cs, SH-60Bs, and SH-2Fs. Funds were also requested for research and development for the S-3B Weapon System Improvement program and the CV ASW Helicopter, as well as procurement and RDT&E for various other Air ASW programs including processors, torpedoes, sonobuoys and other support equipment.

"The committee approved most of the authorization, but made reductions in funding levels for the P-3C, while retaining the requested nine aircraft. The committee increased the procurement for the SH-60B and funded the SH-2F procurement for the Naval Reserve.

"With regard to P-3C aircraft, the committee understands that the number of P-3Cs required to be procured annually to maintain the Navy's long-range Maritime Patrol Force structure at its present mix of 24 active and 13 reserve squadrons is much higher than requested. Moreover, the committee notes that without a significant increase in P-3C procurement in the future, the Maritime Patrol Force structure will suffer a severe decline in the 1992-1995 time-frame as about 200 older model P-3A/B aircraft in the active and reserve squadrons reach the end of their 28-year service life.

"The committee is concerned, however, about the Navy's intentions for maintaining and modernizing its active and reserve Maritime Patrol Squadrons. There has been conflicting testimony before Congress about the number of P-3Cs needed to be procured annually, and there have been conflicting studies about Maritime Patrol Force structure requirements. Internal budget deliberations on P-3C procurement have resulted in almost constantly changing annual procurement projections.

"With regard to the SH-60B LAMPS MK-III, the committee is also concerned that the annual procurement, as requested, was below that which is economically sensible, and that the total program requested by the Department may be insufficient to procure the number of helicopters needed to fulfill the surface combatant based air ASW mission.

"Much the same is true for the SH-2F LAMPS MK-I. Questions remain as to how many SH-2F should be procured, and what the mix should be between active and reserve squadrons. Moreover, the direction the program seems to be taking is far from consistent.

"The Navy's Maritime Patrol community is also a prime example of the success of the Total Force policy. In Air ASW, it stands as a clear success story to be emulated by the rest of the Navy. Naval reservists are well integrated into the operations of the active squadrons and make a major contribution to our Navy's abilities to accomplish the long-range ASW patrol mission. Naval reservists flying older P-3A/B aircraft perform their missions well, considering the limitations of the aircraft which they fly, and the committee has supported limited modernization of these platforms to maintain their effectiveness. Last year, for example, the committee authorized TAC/NAVMOD kits for this purpose. The committee believes that this success should be extended to all Air ASW forces, as well.

"Consequently, the Secretary of the Navy is requested to furnish the committee, in conjunction with submission of the Fiscal Year 1986 Defense Budget Request, a comprehensive master plan for modernization and maintenance of the Navy's Air ASW forces, both in the active and reserve components. Such a master plan should include a procurement plan for aircraft needed to satisfy the requirements of both the active and reserve forces, along with a schedule for any service life extension program

(SLEP) WHERE APPROPRIATE AND A MODERNIZATION PLAN FOR THOSE AIRCRAFT NOT BEING REPLACED THROUGH NEW PROCUREMENT. ANY PLANNED OR CONTEMPLATED CHANGES IN THE ACTIVE AND RESERVE MARITIME PATROL SQUADRON FORCE STRUCTURE SHOULD BE ADDRESSED, ALONG WITH NAVY INTENTIONS REGARDING DEVELOPMENT OF SUCCESSOR AIRCRAFT, WHERE APPLICABLE. THIS PLAN SHOULD BE COMPREHENSIVE IN THAT IT SHOULD ALSO ADDRESS PROCUREMENT LEVELS OF MAJOR SUPPORTING WEAPONS AND EXPENDABLE SENSORS TO INCLUDE TORPEDOES AND SONOBUOYS."

TO DATE THE REPORT HAS NOT YET BEEN SUBMITTED AND SINCE THE REPORT ITSELF HAS BEEN CLASSIFIED, THE NAVAL RESERVE ASSOCIATION WILL NEVER LEARN ITS SPECIFIC CONTENT. HOWEVER, THE PLENTIFUL SUPPLY OF UNCLASSIFIED INFORMATION AVAILABLE HAS ENABLED THE NRA TO CONDUCT ITS OWN ANALYSIS OF CURRENT MPA FORCE LEVEL AIRCRAFT AND OUT-YEAR PROJECTIONS.

THE MPA TOTAL FORCE REQUIREMENT IS FOR 460 AIRCRAFT AS SHOWN IN FIGURE 1. THROUGH THE FY 85 DEFENSE BILL, 251 P-3C HAVE BEEN AUTHORIZED OF WHICH 235 HAVE BEEN DELIVERED THROUGH THE END OF 1984. ASSUMING THAT THE 41 P-3B HEAVYWEIGHT AIRCRAFT CAN BE ECONOMICALLY MODIFIED AND THEIR SERVICE LIFE EXTENDED FOR ANOTHER 10 TO 12 YEARS; AND THE 12 P-3C TO BE DIVERTED TO THE ELECTRONIC WARFARE MISSION ARE REPLACED; WE STILL MUST BUY 180 P-3 AIRCRAFT TO MEET OUR CURRENT FORCE REQUIREMENTS.

THE NRA HAS TAKEN THE TOTAL FORCE REQUIREMENT AS SHOWN IN FIGURE 1, AND THE CURRENT INVENTORY OF BOTH THE ACTIVE AND RESERVE FORCE AND HAS PROJECTED THE FORCE COMPOSITION BY YEAR THROUGH THE YEAR 2000, BASED ON ASSUMED PRODUCTION RATE OF NINE AIRCRAFT PER YEAR. OUR ANALYSIS TOOK INTO ACCOUNT ESTIMATED NORMAL PEACETIME ATTRITION LOSSES; THE PLANNED DIVERSION OF 12 P-3C AIRCRAFT TO MEET THE CRITICAL NEEDS OF THE ELECTRONIC WARFARE EP-3 AIRCRAFT PROGRAM; AND THE USE OF THE OLDER BUT STILL USABLE P-3As TO BE CONVERTED TO TP-3A PILOT TRAINING AIRCRAFT FOR THE TWO TRAINING SQUADRONS WHICH WOULD TEMPORARILY FREE UP 12 P-3C AIRCRAFT. WE ALSO ASSUMED FOR THE ANALYSIS A SERVICE LIFE EXTENSION PROGRAM (SLEP) FOR THE 41 HEAVYWEIGHT P-3Bs, A MATTER WHICH IS CURRENTLY UNDER STUDY BY THE NAVY. THE RESULTS OF OUR ANALYSIS (FIGURE 2) SHOWS A DECLINE IN THE RESERVE FORCE STRUCTURE IN 1994. TO MORE CLEARLY SHOW THE IMPACT WE HAVE ILLUSTRATED THAT SAME SHORTFALL ON A SQUADRON BASIS IN FIGURE 3. AS CAN BE SEEN, WE WILL NO LONGER HAVE SUFFICIENT AIRCRAFT FOR OUTFITTING FIVE SQUADRONS IN 1994, AND IN 1995 WE LOSE STILL ANOTHER SQUADRON. I WOULD POINT OUT THAT FROM NOW THROUGH THE YEAR 2000, BASED ON A NINE A YEAR PRODUCTION RATE, THE MPA FORCE WILL HAVE ESSENTIALLY NO AIRCRAFT IN THE BACKUP (PIPELINE) CATEGORY WHICH IS CAUSE FOR ALARM IF CONFLICTS AT SEA DEVELOP. THE NRA WISHES TO HIGHLIGHT THIS PARTICULAR

ASPECT OF THE PRODUCTION PROGRAM FOR TWO REASONS; FIRST TO SHOW THAT IT INTRODUCES RISK IN THE ABILITY OF THE RESERVES TO MEET THEIR OPERATIONAL COMMITMENTS IN A WARTIME SCENARIO, AND SECONDLY, TO SHOW THAT EVEN THOUGH EVERY AVAILABLE ASSET IS GOING TO THE SQUADRONS, THERE WILL STILL BE A SIGNIFICANT SHORTFALL WHICH WILL RESULT IN THE LOSS OF RESERVE SQUADRONS.

RECOMMENDATION

THE NRA STRONGLY RECOMMENDS INCREASING P-3C PRODUCTION TO 12 AIRCRAFT PER YEAR AND TO PLACE THE FY 87-90 PROCUREMENT UNDER A MULTI-YEAR CONTRACT TO ACHIEVE THE 12 TO 15% COST SAVINGS AS PROPOSED BY THE CONTRACTOR FOR SUCH A PROGRAM. INCREASING THE BUY FROM 9 TO 12 AIRCRAFT PER YEAR WILL SUBSTANTIALLY

U.S. NAVY
MARITIME PATROL AIRCRAFT
TOTAL FORCE REQUIREMENTS

	REQUIRED AIRCRAFT ACTIVE		REQUIRED AIRCRAFT RESERVE		REQUIRED AIRCRAFT TOTAL
1. PRIMARY AIRCRAFT AUTHORIZED (PAA)					
24 SQUADRONS AT 9 A/C PER SQDN	216		–		216
13 SQUADRONS AT 9 A/C PER SQDN	–		117		117
2 ACTIVE FLEET REPLACEMENT SQDNS	40		0		40
3 RESERVE MASTER AUGMENTATION UNITS			9		9
RDT&E AIRCRAFT	17		0		17
TOTAL (PAA)	273	+	126	=	399
2. BACK-UP AIRCRAFT AUTHORIZED (BAA)					
ACTIVE	22				22
RESERVE			17		17
TOTAL AIRCRAFT AUTHORIZED	295	+	143	=	438
3. FORCE ASSURANCE AIRCRAFT	22		–		22
TOTAL AIRCRAFT REQUIRED	317	+	143	=	460

Figure 1

MPA FORCE LEVEL PROJECTION

PROCUREMENT RATE: 9 A/C PER YEAR

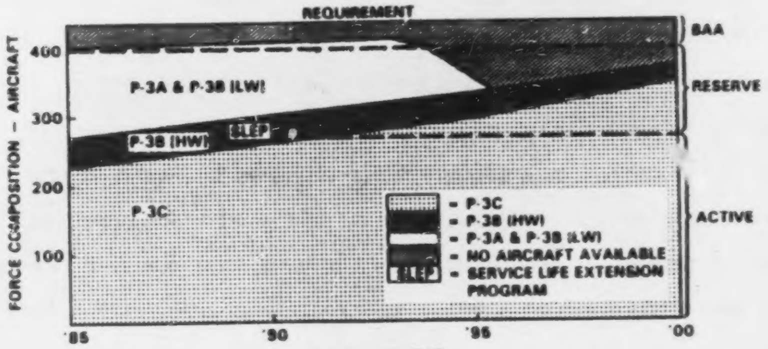


Figure 2

MPA PROJECTED SQUADRON COMPOSITION

PROCUREMENT RATE: 9 A/C PER YEAR

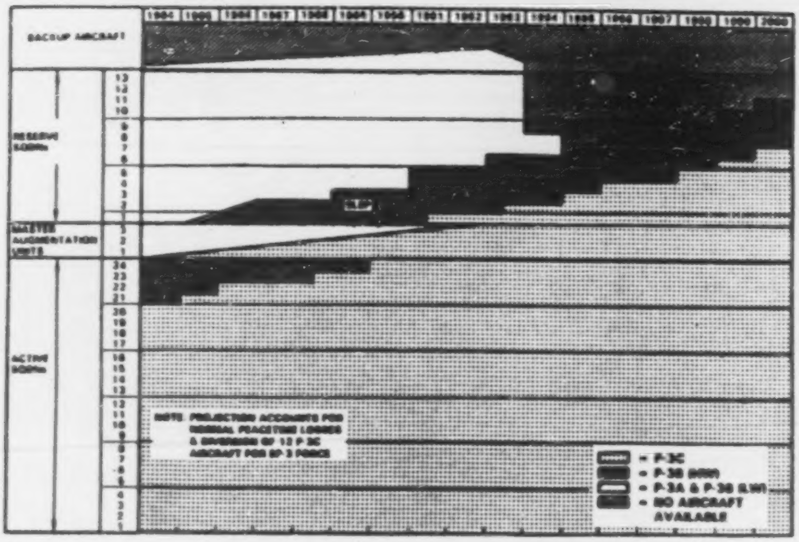


Figure 3

MPA FORCE LEVEL PROJECTIONS

PROCUREMENT RATE: 12 A/C PER YEAR

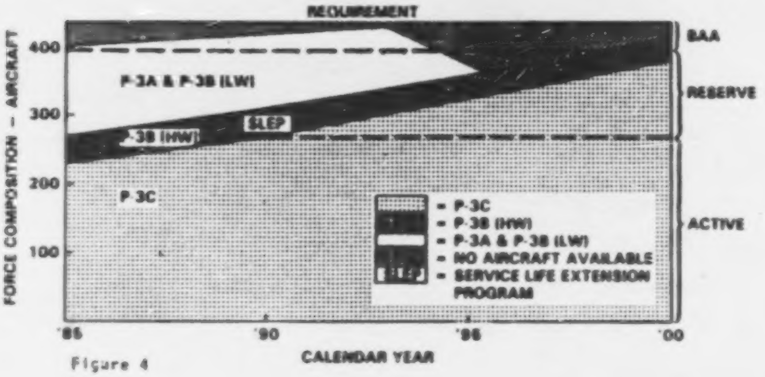


Figure 4

REDUCE THE SHORTFALL AS SHOWN ON FIGURE 4 AND THE RESULTANT IMPACT ON SQUADRON STRENGTH (FIGURE 5). WE FULLY RECOGNIZE THAT REALISTIC BUDGETARY CONSTRAINTS MAKE THE TRUE NEED OF 20-22 AIRCRAFT PER YEAR IMPRACTICAL AT THIS TIME, BUT THE 12 PER YEAR RATE, IN OUR OPINION, IS NOT ONLY FISCALLY RESPONSIBLE BUT IS AFFORDABLE. WE RECOMMEND AN INCREASE OF $100-105 MILLION DOLLARS TO THE FY 86 BUDGET TO PROCURE THREE ADDITIONAL P-3 AIRCRAFT, AND REQUEST THAT THEY BE ASSIGNED TO OUR NAVAL AIR RESERVE FORCE IN ORDER TO ACHIEVE HORIZONTAL INTEGRATION INTO OUR RESERVE FORCE CONCURRENT WITH THE ACTIVE FORCE.

MPA PROJECTED SQUADRON COMPOSITION
PROCUREMENT RATE: 12 A/C PER YEAR

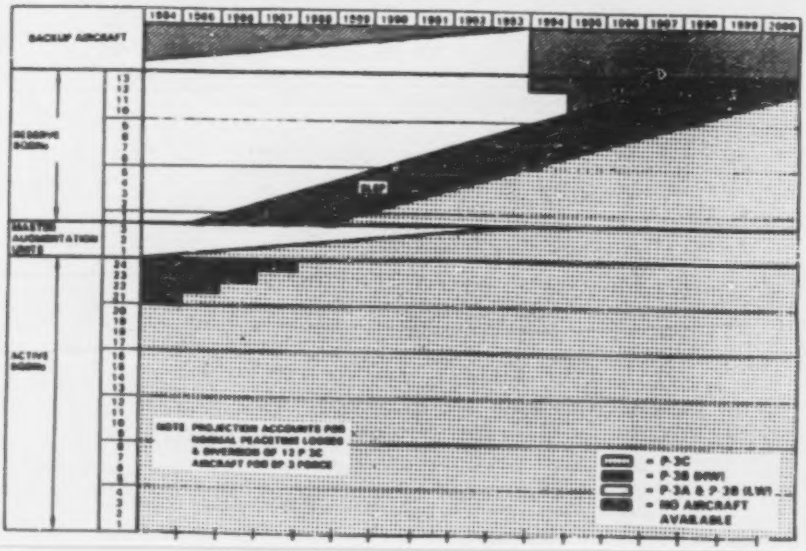


Figure 5

EVEN THIS ACQUISITION PROFILE WILL NOT PROVIDE AN ALL P-3C FORCE IN RESERVE MPA SQUADRONS UNTIL AFTER THE YEAR 2000. HENCE AN EQUALLY IMPORTANT ISSUE, THAT IS THE MODERNIZATION/SLEP PROGRAM FOR THE P-3A/B AIRCRAFT MUST ALSO BE ADDRESSED NOW. THIS UPDATE AND MODERNIZATION EFFORT MUST NOT ONLY INCLUDE THE BASIC AIRFRAME AND ENGINE, BUT ALSO MUST ADDRESS THE AVIONIC UPDATE NECESSARY TO INSURE EFFECTIVENESS AGAINST THE SOVIET SUBMARINE THREAT OF THE 90S AND PROVIDE A MEASURE OF COMPATIBILITY AND REASONABLE INTERFACE WITH UPGRADED FLEET DETECTION SYSTEMS.

MORE DETAIL ABOUT THIS INITIATIVE IS PROVIDED IN THE P-3A/B AQA-7 DISPLAY UPDATE SECTION WHICH FOLLOWS.

P-3A/B AQA-7 (V10-12) UPDATE

THE PREVIOUS SECTION DEVELOPED THE RATIONALE SUPPORTING A 12 P-3C PER YEAR ACQUISITION PLAN IN ORDER TO PARTIALLY ALLEVIATE THE BLOCK OBSOLESCENCE OF THE RESERVE VP FORCE IN THE 90S. AS HAS BEEN PREVIOUSLY DEMONSTRATED, TWENTY (20+) PLUS P-3C PROCUREMENT PER YEAR IS REQUIRED TO ACHIEVE AN ALL P-3C FORCE AND AVOID ALL SERVICE LIFE EXTENSION PROGRAMS (SLEP) FOR THE CURRENT P-3A/B AIRCRAFT.

SINCE THE FISCAL REALITIES INDICATE SUCH A PROCUREMENT PROFILE IS NOT FEASIBLE, THE NAVAL RESERVE ASSOCIATION PROPOSES A SERVICE LIFE EXTENSION AND ACOUSTIC MODERNIZATION PROGRAM DESIGNED FOR RESERVE P-3A/B AIRCRAFT WHICH WILL ENABLE:

o RESERVE FORCE LEVELS TO BE MAINTAINED IN THE 90s.

o RESERVE P-3A/B AIRCRAFT TO MEET THE SOVIET SUBMARINE THREAT EXPECTED IN THAT DECADE.

o RESERVE P-3A/B AIRCRAFT TO MAINTAIN AN INTEROPERABILITY AND COMMON ACOUSTIC DISPLAY FORMAT WITH UPDATE FLEET P-3 AIRCRAFT.

THE P-3A/B AIRCRAFT IN THE RESERVE VP SQUADRONS ARE UNDERGOING THEIR FINAL SCHEDULED AVIONIC UPGRADING WITH THE INSTALLATION OF THE TAC/NAVMOD AND IMPROVEMENT OF THE BASELINE AQA-7 (V1-2) ACOUSTIC PROCESSOR TO THE AQA-7 (V10-12) MODEL. THESE MODIFICATIONS WERE INTRODUCED IN THE FLEET IN THE 70s IN THE CASE OF THE TAC/NAVMOD AND THE EARLY 80s FOR THE AQA-7 (V10-12) IN ORDER TO MEET THE THREAT OF THE THEN NEW SOVIET SUBMARINE TECHNOLOGY. NO FURTHER P-3A/B AVIONIC IMPROVEMENT IS PLANNED.

THE NAVAL RESERVE ASSOCIATION HAS RECOGNIZED THIS SERIOUS OPERATIONAL SHORTFALL IN THOSE P-3A/B AIRCRAFT DESTINED TO BE ASSIGNED TO THE RESERVE P-3 SQUADRONS THROUGHOUT THE 90s AND IN SOME CASES BEYOND THE YEAR 2000. CONSEQUENTLY, IN THE FY 85 BUDGET DELIBERATIONS THE NRA SUPPORTED A CONGRESSIONAL INITIATIVE THAT PROVIDED $7.5 MILLION FOR THE DEVELOPMENT OF AN UPDATED DISPLAY FOR THE AQA-7 (V10-12) ACOUSTIC PROCESSOR.

HOUSE OF REPRESENTATIVES REPORT 98-1086 CONTAINED THE FOLLOWING LANGUAGE RELATIVE TO THIS INITIATIVE:

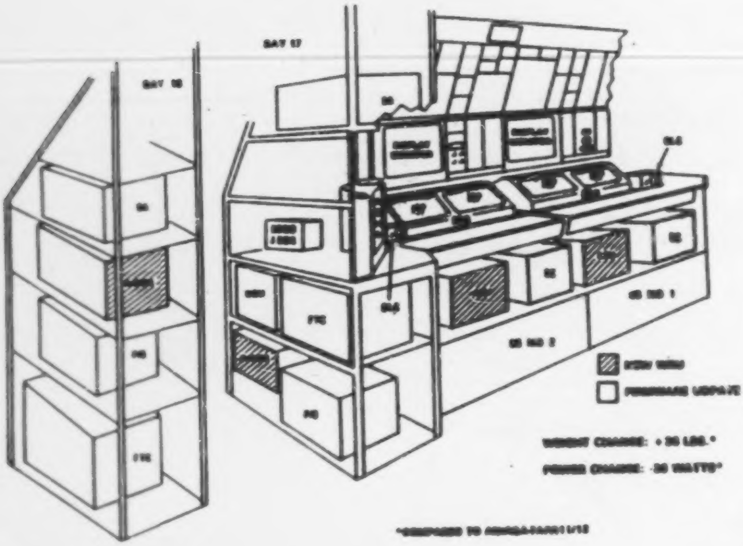
> "AQA-7
>
> IMPROVEMENT PROGRAM FOR NAVAL RESERVE P-3 AIRCRAFT
>
> THERE ARE APPROXIMATELY 135 P-3A AND P-3B AIRCRAFT IN THE NAVAL RESERVE THAT HAVE THE AN/AQA-7 EQUIPMENT TO PROCESS THE ACOUSTIC SIGNALS OF SUBMARINE TARGETS. IN ORDER THAT THE NAVAL RESERVE ADEQUATELY COUNTER THE LATEST SOVIET THREAT AND THAT EXPECTED IN THE EARLY 1990'S, AND ALSO ACHIEVE HORIZONTAL INTEGRATION BETWEEN THE ACTIVE AND RESERVE COMPONENTS OF THE NAVY, THE COMMITTEE BELIEVES THAT THE AQA-7 PROCESSING SYSTEM MUST HAVE AN IMPROVED DISPLAY SYSTEM INCORPORATED. CONSEQUENTLY, THE COMMITTEE DIRECTS THAT THE DEPARTMENT PROCURE FIVE SERVICE TEST MODELS OF THE IMPROVED AQA-7 DISPLAY SYSTEM IN ORDER TO TEST AND EVALUATE THIS SYSTEM TO DETERMINE FLEET OPERABILITY AND SUITABILITY. A REPORT ON THE RESULTS OF THIS EVALUATION IS TO BE SUBMITTED TO THE COMMITTEE NO LATER THAN JUNE 1, 1985. THE COMMITTEE CONSIDERED MAKING A SIGNIFICANT NUMBER OF LINE ITEM REDUCTIONS IN THE MODIFICATION ACCOUNT, BUT DECIDED AGAINST THAT ACTION IN ORDER TO LEAVE SUFFICIENT FUNDS TO EXECUTE THIS DIRECTIVE AND TO DETERMINE WHETHER THIS COULD BE A COST EFFECTIVE MODIFICATION TO OUR MARITIME PATROL AIRCRAFT."

TABLE 1

AQA-7 PROCESSING ENHANCEMENT KIT SIGNAL PROCESSING IMPROVEMENTS

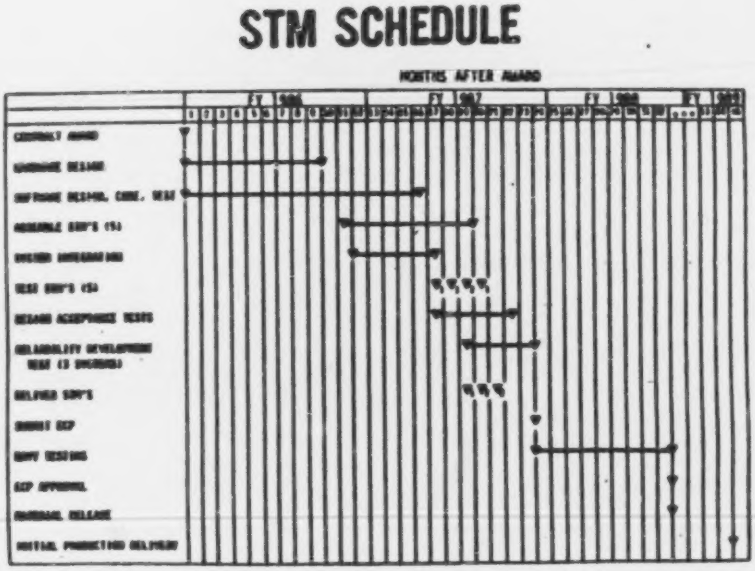
Mode	Capability Improvement Over AQA-7 with Display Update	Maximum Channels Available per Shipset
LOFAR	Doubled	32
DIFAR	Doubled	16
Verniers	Doubled	96 (Verniers)
DICASS	Quadrupled	4 (w/Extended Doppler)
DICASS Omni	Quadrupled	8 (w/Extended Doppler)
ERAPS	New Capability	2

Figure 1. P-3A/B PROPOSED AIRCRAFT INSTALLATION FOR AQA-7 PROCESSING ENHANCEMENT KIT



THE AQA-7 DISPLAY UPDATE KIT EXTENDS THE IMPROVED OPERATOR INTERFACE BY PROVIDING A MODERN, HIGH RESOLUTION, QUICK REACTION MONOCHROMATIC CRT DISPLAY SUBSYSTEM. IN ADDITION TO PRESENTING TWICE THE AMOUNT OF REAL-TIME ACOUSTIC DATA CURRENTLY AVAILABLE TO THE AQA-7 OPERATOR, THE DISPLAY UPDATE KIT PROVIDES COMPUTER-ASSISTED TARGET CLASSIFICATION BY INCORPORATING INTO THE AQA-7 THE PASSIVE ACOUSTIC DETECTION AND CLASSIFICATION (PADC) ALGORITHMS WHICH ARE CURRENTLY OPERATIONAL ON BOARD THE ACTIVE DUTY FLEET AIRCRAFT. ANOTHER BENEFIT TO THE RESERVE OPERATOR IS THE PRESERVATION OF THE HARD-COPY ACOUSTIC DISPLAY ON THE AQA-7 CHART RECORDER. HARD COPY PROVIDES THE EXPERIENCED OPERATOR WITH AN ADDITIONAL DISPLAY DIMENSION WHICH IS INVALUABLE DURING MISSION AND POST-MISSION

Figure 2. AQA-7 PROCESSING ENHANCEMENT KIT



ANALYSIS. BECAUSE THE RESERVE ACOUSTIC OPERATORS WILL HAVE STANDARD DISPLAY FORMATS OF ACOUSTIC DATA IDENTICAL TO THEIR COUNTERPARTS IN THE ACTIVE P-3C AIRCRAFT, 1) FLEET/RESERVE INTEROPERABILITY ABOARD AIRCRAFT AND DEBRIEF SITES WILL BE ENHANCED, AND 2) CREWMEN FROM THE FLEET JOINING THE RESERVE P-3 UNITS WILL HAVE COMPATIBLE EQUIPMENT WITH WHICH TO WORK, THEREBY DECREASING THE AMOUNT OF RETROGRESSIVE TRAINING REQUIRED.

IN ORDER TO FULLY EXPLOIT THE CAPABILITIES INHERENT IN THE AQA-7 DISPLAY UPDATE KIT FUNDED IN FY 85 AND TO PROVIDE THE ENHANCED ACOUSTIC PROCESSING CAPABILITY NECESSARY TO MEET SOVIET SUBMARINE TECHNOLOGY OF THE 90S, THE AQA-7 SYSTEM REQUIRES FURTHER SIGNAL PROCESSING ENHANCEMENT.

THE NAVAL RESERVE ASSOCIATION PROPOSES THE PROCUREMENT IN FY 86 OF FIVE (5) SERVICE TEST MODEL PROCESSING ENHANCEMENT KITS FOR THE AQA-7 ACOUSTIC PROCESSOR.

THE AQA-7 PROCESSING ENHANCEMENT KIT PROVIDES A QUANTUM STEP IN ASW ACOUSTIC CAPABILITY FOR THE RESERVE P-3 AIRCRAFT IN THE AREAS OF SIGNAL PROCESSING, POST-PROCESSING/OPERATOR AIDS, SYSTEM AVAILABILITY, AND GROWTH POTENTIAL. THE ENHANCED AQA-7 SIGNAL PROCESSING IS SHOWN IN TABLE 1. IT IS IMPORTANT TO NOTE THAT THE AQA-7 HAS BEEN DESIGNED FOR MIXED-MODE PROCESSING; AND THIS CAPABILITY IS EXPANDED WITH THE PROCESSING ENHANCEMENT KIT. FOR EXAMPLE, A CONCURRENT AQA-7 PROCESSING ARRANGEMENT COULD BE EIGHT (8) LOFAR, EIGHT (8) DIFAR, TWO (2)

DICASS, and one (1) ERAPS. An additional improvement to the DICASS mode is extended doppler processing to accommodate the high-speed threat.

The AQA-7 system availability, a major component in Reserve ASW mission success, is nearly doubled with the incorporation of the Processing Enhancement Kit. With the addition of two (2) independent processing paths which provides a total of four (4), at least three-fourths of the system remains operational even with a major failure within a processing unit. Incorporation of new technologies for signal processing also doubles the system reliability, when compared to the AQA-7 3V system, which further improves system availability.

The AQA-7 Processing Enhancement Kit is designed to minimize its life cycle costs. Ground rules, such as retaining the AQA-7 footprint and building upon existing capability, minimize not only acquisition cost but also aircraft installation cost. Figure 1 depicts the P-3A/B aircraft installation of the AQA-7 Processing Enhancement Kit which provides an estimated 36 watt power savings and a minimal 26 lb. weight increase. Since the Kit will accommodate both the AN/ARR-72 and AN/ARR-78 Receivers, the Naval Reserve has the option to use either receiver or a combination of the two to supply the AQA-7 with 32 processing input channels. The recurring cost of the AQA-7 Processing Enhancement Kit is relatively inexpensive as compared to the capability gained and is estimated to be $0.33 million per shipset in FY 1986 funds. The common module theme minimizes impact on the established AQA-7 logistic network and, along with the significant reliability improvement, minimizes maintenance cost.

Five (5) STMs are needed for Operational Test and Evaluation (OT&E) by OPTEVFOR. The schedule shown in Figure 2 could be pursued and, following a successful OT&E, the procurement of production sets could commence in FY 1989 and could be incorporated in Reserve P-3A/B aircraft commencing in FY 1990. Completion of this modification would significantly enhance the capability of the Reserve P-3A/B aircraft. A P-3A/B with the TAC/NAVMOD and the AQA-7 Processing Enhancement System would provide the Navy and the United States with a very capable counter to the Soviet submarine menace.

The Reserve P-3A/B acoustic modernization program as outlined above, including the Display Update funded in FY 85 and Signal Processing Enhancement requested in FY 86 will provide the improved ASW detection capability necessary for the Reserve VP squadrons in the 90s while offering a low-cost modernization

ALTERNATIVE UNTIL AN ALL P-3C FORCE CAN BE ACHIEVED. (SEE TABLE BELOW -- FY 1986 DOLLARS IN MILLIONS.)

	DISPLAY UPDATE	SIGNAL PROCESSOR ENHANCEMENT
R&D	7.5*	10.5
PRODUCTION PER SHIP SET	0.35	0.33

*FUNDED IN FY 86

IT IS ESSENTIAL IN THE VIEW OF THE NAVAL RESERVE ASSOCIATION THAT SIGNAL PROCESSING R&D FUNDING OF $10.5 MILLION BE PROVIDED IN FY 86. THE DEVELOPMENT AND TESTING LEAD-TIME NECESSARY TO BE ABLE TO MAKE PRODUCTION DECISIONS IN FY 89-90 REQUIRE FY 86 START-UP OF THE R&D EFFORT.

THIS INITIATIVE, IF SUCCESSFUL, OFFERS GREAT PROMISE IN THAT FOR THE COST OF TWO (2) NEW P-3C AIRCRAFT, MORE THAN ONE HUNDRED (100) P-3A/B RESERVE AIRCRAFT CAN BE SIGNIFICANTLY UPGRADED.

EVERY MARINER IS TAUGHT FROM DAY ONE TO RECOGNIZE THE PROXIMATE DANGER INHERENT IN A "CONSTANT BEARING, DECREASING RANGE" SITUATION. THE BLOCK OBSOLESCENCE OF THE RESERVE MPA FORCE IS SUCH A SITUATION. FOR SEVERAL YEARS NOW, THE NAVAL RESERVE ASSOCIATION HAS SOUNDED THE ALARM. WE URGE THAT A RATIONAL, REALISTIC PLAN BE IMPLEMENTED THIS YEAR TO SOLVE THIS CRITICAL PROBLEM. THE CAPABILITY OF THE MPA FORCE AND THE THREAT THEY COUNTER DESERVE BETTER THAN "CRISES MANAGEMENT" EXECUTED WHEN "IN EXTREMIS".

RECOMMENDATION

THE NAVAL RESERVE ASSOCIATION STRONGLY RECOMMENDS THE CONGRESS TO AUTHORIZE AND FUND THE PROCUREMENT OF FIVE (5) SERVICE TEST MODELS OF THE AQA-7 PROCESSING ENHANCEMENT KIT, INCLUDING CONTRACTOR ENVIRONMENTAL AND RELIABILITY TESTING AT A COST OF $10.5 MILLION IN FY 1986.

LAMPS MK I HELICOPTERS

DURING THE PAST YEAR TWO NAVAL RESERVE SQUADRONS, HSL-84 AT NAS NORTH ISLAND, CA AND HSL-74 AT NAS SOUTH WEYMOUTH, MA BEGAN RECEIVING THE SH-2F LAMPS MK I HELICOPTER. NEXT YEAR, HSL-94 AT NAS WILLOW GROVE, PA WILL RECEIVE THE FIRST OF THEIR SH-2S. CURRENT NAVY PLANS CALL FOR EACH OF THESE THREE (3) RESERVE SQUADRONS TO INITIALLY BE EQUIPPED WITH EIGHT (8) LAMPS MK I HELICOPTERS.

THE MISSION OF THESE THREE (3) SQUADRONS WILL BE TO PROVIDE LAMPS AIRCRAFT DETACHMENTS FOR THE FRIGATES OF NAVAL RESERVE FORCES, FF-1052S AND FFG-7S, AND during periods of mobilization to provide the same LAMPS capability for the Coast Guard WHEC cutters. These cutters have either just completed or are currently undergoing conversion which will make them fully compatible with the LAMPS MARK I system.

The Reserve frigates with their LAMPS helicopters will be an integral part of the U.S. Navy's total ASW capability. Operating equipment identical to that in the active force, this ASW system is a perfect example of Secretary Lehman's concept of "horizontal integration" of Active and Reserve Component Forces.

Last year the Naval Reserve Association proposed that Congress provide sufficient LAMPS MK I resources for all Active and Reserve frigates to have one embarked helicopter during peacetime. In addition, the NRA recommended that Congress provide the Naval Reserve Forces with enough LAMPS MK I helicopters to fill the decks of the Coast Guard WHECs and to provide a second LAMPS MK I for the eighteen (18) FFG-7s programmed for the Naval Reserve, and which are capable of embarking two (2) helicopters.

The NRA pointed out that when the cost of the frigates and their ASW equipment is considered, for less than a 3% increase in investment and operating costs, the Force Commander during wartime could realize a 30% to 50% increase in capability by having the second helicopter embarked.

The Congress generally endorsed the NRA round-out position for the second LAMPS helicopter. The Senate Armed Services Committee directed the Navy to submit, this year, a comprehensive study on total Active and Reserve ASW Forces. This study was to address among other things, the concept of a second LAMPS MK I on those ships capable of handling two. The Navy's FY 1986 budget provides for six (6) additional SH-2F helicopters to cover the additional frigates added last year to the Naval Reserve Force by the Secretary of the Navy and for additional attrition. However, even with this buy there will be insufficient LAMPS MK I assets to provide the second helicopter for the Reserve FFG-7s. (See table below.)

1995 LAMPS MK I Reserve Requirements*

Type of Ship	No. of Ships	No. of Embarkation Slots
FFG-7	18	36
FF-1052	8	8
WHEC	12	12
Total	38	56

*Assumes the 85% deployment estimate for ships offsets the 17% requirement for pipeline aircraft.

The Navy has stated that there will be sufficient SH-2F assets available in 1995 to fulfill all active Navy requirements and to provide the Reserves with only one (1) LAMPS MK I per ship. Although no advanced procurement for the SH-2F has been included in the FY 1986 budget submission, the NRA understands that the Navy's current plans are to consider the procurement of six (6) additional SH-2F helicopters in 1987 to permit the Reserves to embark two (2) LAMPS MK I's on their FFG-7s. The Navy is now also planning to pursue this concept in the active force with the LAMPS MK III.

The Naval Reserve Association believes it would be most useful for the Congress to provide additional impetus to the Navy's current planning to enhance Naval Reserve ASW capability.

Recommendation

The NRA recommends the Congress allocate $4.5 million of the $69.9 million requested in FY 1986 for SH-2 procurement toward advanced procurement for six (6) aircraft in FY 1987 with instructions that this be the first year of a three-year buy of the eighteen (18) aircraft needed to provide the full round-out capability to the Naval Reserve Forces.

TOWED-ARRAY FOR THE NAVAL RESERVE FRIGATES

One of the most critical aspects of our maritime strategy is our ability to project and sustain the full range of combat and support forces. Current planning requires the movement of 95 percent of the dry cargo and 99 percent of the fuel by sea.

In the face of this massive sealift requirement, it is well to remember that this effort will be opposed by some 300 Soviet submarines of substantial capability and endurance. Germany, with but 50 attack submarines, was able to sink during 1942 alone some 1,664 allied ships. Our available inventory of merchant ships today, including the National Defense Reserve Fleet, cannot absorb that attrition and carry out its mission.

The prime mission of the Naval Reserve Force is ASW Maritime Escort. The introduction of the FFG-7 and FF-1052 frigates has provided the Reserve Surface Force with a modern state of the art weapons system to accomplish this tasking. The number of convoy escort ships available even when including those provided by our NATO allies, totals about 60-65 escorts. Since the available ships fall short of the requirements (Congressional Budget Office estimates the U.S. Navy shortfall at approximately 100 ships), the Naval Reserve Association believes highest priority must be given to maximizing existing ship capability. This includes providing Reserve Force frigates with both Towed-Array Sonar and a full complement of two (2) SH-2 LAMPS I helicopters. The SH-2 LAMPS helicopter issue has been discussed in another section.

Secretary of Defense Weinberger in this year's Annual Report to Congress addresses the Towed-Array issue as follows:

> "Tactical Towed-Array Sonar (TACTAS)
>
> The long-range detection capabilities of TACTAS will substantially enhance the ASW capability of our surface combatants, providing an essential counter to the increased range of weapons carried by Soviet submarines. The AN/SQR-18 towed-array sonar system is being deployed aboard all 46 of the FF-1052 frigates operated by active and reserve units, and aboard all of the Naval Reserve's FFG-7 frigates. The AN/SQR-19, a more advanced towed-array sonar system now in the final stages of development, will be installed later in the decade on DD-963, DDG-993, and DDG-51 destroyers and on CG-7 cruisers and active FFG-7 frigates. We are introducing improvements to both systems to maintain their detection capabilities against Soviet submarines."

The Naval Reserve has learned that in accordance with the Fleet Modernization Program (FMP) all Reserve frigates will be equipped with Towed-Array Sonar by 1988.

The funding profile to accomplish this goal is as follows:

	FY 1984 Actual Funding	FY 1985 Planned Funding	FY 1986 Proposed Funding	FY 1987 Proposed for Authorization
TACTAS Procurement:				
Quantity	12	10	16	19
$ Millions	116.7	112.0	165.4	184.0

Recommendation

NRA fully supports this program which will permit for the first time the NRF frigates to perform the mission for which they were built.

TOWED-ARRAY TRAINER

Current Navy plans call for the transfer of twenty-six (26) of a mix of FF-1052 and FFG-7s to the Naval Reserve Force. These ships, which are part of the "LOW" component of the Navy's "HI/LOW" mix of fast ocean escorts, are equipped with LAMPS MK I (which includes the SH-2F helicopter and the SQR-17A shipboard processor), the AN/SQR-18A tactical towed array (TACTAS), and a hull-mounted sonar (SQS-26CX in FF-1052 and SQS-56 in FFG-7 classes).

The array of sensor sub-systems on these ships, when operated by adequately trained crews, will provide an effective shield for high-value targets and convoys. The key is the capability of the crew. ASW sensor operator training has traditionally been difficult to attain. Effective interaction between the ASW sensor operators and the combat command team is critically important, and a high competence level can only be achieved through repetitive practice sessions during many ASW events. Unfortunately, such events during peacetime operations are infrequent and unpredictable. These realities make it particularly difficult for reserve crews to attain desired readiness levels. Additionally, long transit times to the OP area further compress reserve crew training time.

Fleet studies have addressed this problem by recommending increased use of pierside trainers and development of an onboard training capability for ASW/SONAR operators. NRA understands that such an on-board training system in being planned for ships with MK III LAMPS and/or AEGIS.

An adjunct to the SQR-17A shipboard processor has been developed that will allow the entire ASW crew of LAMPS MK I fast, ocean-escort ships to be exercised using realistic, computer-generated target signals. The system has been designed as an addition to the SQR-17A such that it can be provided by way of an approved engineering change proposal. Such a training system would be extremely useful to the Naval Reserve crews of FF-1052 and FFG-7 class ships now reaching the Reserve Forces, solving the problem of how to practice a wartime mission during peacetime.

The Naval Reserve Association believes that the on-board ASW simulator should be retrofitted into FF-1052/FFG-7 ASW ships assigned to the Naval Reserve Force as soon as possible.

The installations will require $3 million of non-recruiting cost and $300K per unit in production. The design of the unit facilitates incorporation into the SQR-17A, thus making the acquisition fast and relatively simple. This equipment will result in a greater depth of training for Naval Reserve operators of the ASW combat team.

Recommendation

The Naval Reserve Association recommends that the Congress appropriate $6.8 million in the current fiscal year to fund this engineering change of the AN/SQR-17A system. The funds would be used to manufacture three (3) on-board

SIMULATORS FOR EVALUATION TO DETERMINE SUITABILITY FOR USE ON-BOARD SHIPS OF THE FF-1052/FFG-7 CLASS IN THE NAVAL RESERVE. ASSUMING FAVORABLE RESULTS, THE NRA WILL RECOMMEND EXPENDITURE OF ADDITIONAL FUNDS IN APPROPRIATE FISCAL YEARS TO RETROFIT ALL TWENTY-SIX (26) OF THE ASW-CAPABLE FAST-OCEAN ESCORT SHIPS AS THEY TRANSFER TO THE NAVAL RESERVE FORCE.

MINE WARFARE CRAFT OF OPPORTUNITY (COOP) PROGRAM

THE MINE WARFARE CRAFT OF OPPORTUNITY (COOP) PROGRAM CURRENTLY BEING IMPLEMENTED, AFFORDS THE NAVAL RESERVE AN EXCELLENT, EXCITING AND CHALLENGING PROGRAM TO AUGMENT THE LIMITED ACTIVE AND NAVAL RESERVE FORCE (NRF) MINE COUNTERMEASURES (MCM) FORCES. THIS NEW PROGRAM WILL ASSIGN THE NRF RESPONSIBILITY FOR ACCOMPLISHING CRITICAL PEACETIME Q-ROUTE SURVEY REQUIREMENTS AND VITAL WARTIME MCM OPERATIONS IN MILITARY AND STRATEGICALLY IMPORTANT COMMERCIAL PORTS WHERE NO OTHER MCM FORCES ARE AVAILABLE. IT REPRESENTS A LOW-COST WAY TO AUGMENT MCM FORCES IN RESPONSE TO CHIEF OF NAVAL OPERATIONS (CNO) DIRECTION TO FIND WAYS TO REDUCE THE MINE THREAT TO CONUS WITHOUT INCURRING COST TO BUILD ADDITIONAL MCM SHIPS.

THE TWENTY-TWO (22) VESSELS USED AS COOP TRAINERS WILL CONSIST OF TEN (10) NAVAL ACADEMY YARD PATROL (YP) CRAFT (IF CONVERSION/OVERHAUL COSTS ARE WITHIN FUNDING CONSTRAINTS) AND TWELVE (12) FISHING VESSELS (PRIMARILY STERN TRAWLERS). ACQUISITION OF FISHING VESSELS BY LEASE OR LEASE TO PURCHASE AGREEMENTS HAS BEEN AUTHORIZED IN VIEW OF THE EXCESSIVE COSTS REQUIRED TO OVERHAUL CONFISCATED VESSELS. THIS WILL ALSO IMPROVE CRAFT QUALITY AND SIMPLIFY SUPPORT AND TRAINING REQUIREMENTS.

EQUIPMENT PROGRAMMED FOR COOP WILL CONSIST OF GFE AND OFF-THE-SHELF COMPONENTS TO PROVIDE A NEAR-TERM (FY 85-87) CAPABILITY TO CONDUCT ROUTE SURVEY/ MINEHUNTING OPERATIONS WITH A SIDE SCAN SONAR (C MK 1 SHADOWGRAPH) IN CONJUNCTION WITH OTHER NAVIGATION AND SENSING AND INTEGRATION COMPONENTS. MID-TERM IMPROVEMENTS INCLUDE ADDING A REMOTELY OPERATED VEHICLE (ROV) FOR CONTACT IDENTIFICATION AND NEUTRALIZATION, AN AHEADLOOKING SONAR (AN/SQQ-14 SMALL BOAT VERSION) AND A TRAWL SWEEP CAPABILITY THAT IS CURRENTLY UNDERGOING DEVELOPMENT AND TEST AND APPEARS EXTREMELY PROMISING.

THE Q-ROUTE SURVEY EFFORT IS THE FOUNDATION FOR IMMEDIATE EXECUTION OF WARTIME MCM OPERATIONS. PORT SURVEYS CONSIST OF COLLECTING DATA ON BOTTOM

CONDITIONS AND CONTACTS ALONG DESIGNATED TRACKS AND COMPILING IT INTO A DATA BASE FOR LATER REFERENCE TO IN WARTIME. IT REQUIRES CONTINUOUS UPDATING WHICH WILL BE PERFORMED BY COOP CREWS ON DRILL WEEKENDS AND DURING ANNUAL ACTIVE DUTY (ACDUTRA). WITH THIS INFORMATION, AN MCM COMMANDER WILL MORE READILY BE ABLE TO COMMENCE EXPLORATORY MCM OPERATIONS AND TO MORE EFFECTIVELY CONDUCT MINESWEEPING AND MINEHUNTING OPERATIONS WHEN MINELIKE CONTACTS HAVE BEEN IDENTIFIED. THIS TASK IS CRITICAL TO THE TIMELY COMMENCING OF MCM OPERATIONS IN WARTIME. UTILIZING LOCALLY ASSIGNED RESERVE PERSONNEL CAPITALIZES ON THEIR KNOWLEDGE OF INDIGENOUS PORT CONDITIONS.

RECOMMENDATION

THE NRA URGES CONTINUED CONGRESSIONAL SUPPORT FOR THIS PROGRAM AS IT MATURES AND SPECIFIC HARDWARE REQUIREMENTS ARE DEFINED.

THE RESERVE TACTICAL AIR WINGS

THE MODERNIZATION OF THE RESERVE TACTICAL AIR WINGS CONTINUES AS THE HORIZONTAL INTEGRATION POLICY INSTIGATED BY SECRETARY LEHMAN IN 1983 MATURES. CREDIT MUST BE GIVEN TO THE HOUSE APPROPRIATIONS COMMITTEE FOR GREATLY ACCELERATING THE F-14 TRANSITION BY THE ADDITION OF $68 MILLION LAST YEAR TO ACCOMPLISH ESSENTIAL MODERNIZATION OF TWENTY-FOUR (24) EARLY BLOCK F-14S.

FY 86 CONTINUES THE MODERNIZATION PROCESS. THE CHIEF OF NAVAL OPERATIONS, ADMIRAL JAMES D. WATKINS, IN HIS POSTURE STATEMENT BEFORE THE SENATE ARMED SERVICES COMMITTEE REAFFIRMED HIS COMMITMENT TO THE MODERNIZATION PROGRAM IN THE FOLLOWING STATEMENT:

> "THE NAVAL AIR RESERVE FORCE HAS EMBARKED ON AN AMBITIOUS MODERNIZATION PROGRAM WITH BOTH CARRIER AIRWINGS SLATED FOR TRANSITION TO STATE-OF-THE-ART AIRCRAFT: F-14, F/A-18, A-7E, AND E-2C. THE FIRST RESERVE E-2C SQUADRON IS NOW IN PLACE. VF-301 ACCEPTED ITS FIRST F-14 AIRCRAFT IN OCTOBER 1984, AND F/A-18 TRANSITION TRAINING FOR VFA-303 AIRCREW AND MAINTENANCE PERSONNEL HAS BEEN UNDERWAY FOR OVER A YEAR. IN FY 86, VFA-303 WILL RECEIVE ITS OWN AIRCRAFT AND BE READY TO MOBILIZE. A-7E TRANSITION FOR ONE SQUADRON IN FY 85 AND TWO SQUADRONS IN FY 86 WILL COMPLETE THE PROGRAMMED UPGRADE FOR THE A-7B."

SECRETARY LEHMAN IN HIS FY 86 POSTURE REPORT STATED:

> "THE REORGANIZATION OF THE NAVAL RESERVE TO A "HORIZONTAL INTEGRATION" HAS HAD THE EFFECT OF SHIFTING A SUBSTANTIAL PORTION OF OUR FORCE STRUCTURE MANNING TO THE READY RESERVE. A TOTAL OF 35 SHIPS OF THE 600 SHIP NAVY WILL BE MANNED BY SELECTED RESERVES, IN ADDITION TO THE AUGMENTATION OF ESSENTIALLY ALL NAVAL UNITS BY SELECTED RESERVES UPON MOBILIZATION. THE FIFTEENTH ACTIVE CARRIER AIR WING HAS BEEN DELETED FROM THE PROGRAM AND THE FIFTEENTH CARRIER WILL CARRY A RESERVE AIR WING. THIS INCREASED DEPENDENCE ON THE USE OF THE READY RESERVE HAS ENABLED US TO HOLD THE ACTIVE MANPOWER GROWTH TO ABOUT 1 PERCENT PER YEAR."

THE SECOND RESERVE AIR WING WILL BE ASSIGNED TO THE SLEP CARRIER.

THE QUALITY AND CAPABILITY OF RESERVE AIRCREWS AND MAINTENANCE HAS BEEN DEMONSTRATED OVER AND OVER AGAIN AND IS REFLECTED IN TRADITIONALLY OUTSTANDING SAFETY AND PERFORMANCE ACHIEVEMENTS.

The problems associated with Reserve Air Wing mobilization capabilities has always had at its core the inability to support and sustain carrier operations with the obsolete aircraft assigned to the Reserve air squadrons. This situation has been greatly alleviated by the ongoing modernization program.

There remain, however, several programs that require urgent attention if Reserve Air Wing capabilities are to be fully exploited.

Accelerated transition from the E-2B to the E-2C at Miramar and from the EA-6A to the EA-6B at Norfolk and Whidbey Island should be considered. The increasing difficulty in supporting and maintaining these older weapon systems, as well as the increased demands placed on their capabilities by the F-14, F/A-18 modernization program, require their early retirement from the force. NRA most strongly supports efforts to increase the procurement of these aircraft.

The second area of concern is the lack of A-6E and S-3 aircraft squadrons in the Reserve Air Wing. The A-6E is is the most potent and capable all-weather bombing aircraft in the world. The lack of this capability in the Reserve Carrier Air Wing is regarded as a serious shortfall in war fighting capability.

Recommendation

The Naval Reserve Association recommends the continued procurement of A-6E, EA-6B and E-2C aircraft in order to meet the critical deficiencies in Reserve Tactical Air Wing capabilities. Further, the NRA recommends consideration be given to future reopening of the S-3 production line in order to meet Reserve Air Wing as well as long-range fleet requirements.

HAL/HC Squadrons

Last year the Naval Reserve Association was successful in bringing to the attention of the Congress the unsatisfactory condition of the Combat Search and Rescue and Light Attack Helicopter Squadrons of the Naval Reserve Force. The effectiveness of these efforts is apparent in the House of Representatives report 98-1086 which states the following:

"UH-60 Navy Combat Search and Rescue (SAR) Helicopter

> ...Additionally, testimony of outside DoD witnesses before the Committee and responses by Navy witnesses appear to highlight the fact that there are two critical shortages in the hardware provided for the Combat SAR Squadron and the two Light Attack Helicopter (HAL) Units, all Naval Reserve Units. The Combat SAR mission calls for the rescue of downed Naval Aviators or other friendly pilots from enemy-held terrain. The Light Attack Helicopter Mission supports the Special Warfare Forces, i.e. Seals, for clandestine insertions and extractions into/from enemy territory. According to all reports, the crews of both types of units are highly trained. However, the aircraft assigned are incapable of performing either mission with any reasonable degree of success.

> "The Committee notes that the Commanders in Chief of the Atlantic and Pacific Fleets have voiced their deep concern of the inadequacy of the CSAR capability. Also, there has been the considerarle increased emphasis on the Special Forces by the Department of Defense recently.
>
> "A proposal, which apparently is acceptable in Navy circles, would combine the missions of CSAR and HAL into three eight (8) plane squadrons utilizing the off-the-shelf IH-60 Blackhawk Helicopters. This would provide an immediate answer to the lack of capability now in existence in both communities and illustrate that to put a mission completely in the Naval Reserve does not mean that it is mandated to go obsolete. Also, the contention, that the receipt of new hardware has to await the arrival of the JVX, would delay the modernization of the units until the mid to late 1990s, obviously an inacceptable solution.
>
> "The Committee, therefore, requests the Secretary of the Navy to submit by February 1, 1985 a detailed plan by which the CSAR and HAL missions are organized and equipped with modern hardware with which they will be arle to accomplish their assigned missions."

The two (2) UH-60 helicopters funded last year are expected to be delivered in July of 1985. The Naval Reserve Association is most concerned about program developments, or more specifically, lack thereof concerning this most important mission.

First, inexplicably, no follow-up procurement was contained in the FY 86 budget submission. Additionally, NRA has learned that Navy planners intend to combine both missions into two (2) 9-plane squadrons. This approach not only deactivates a much needed squadron but also reduces force capability by eliminating six (6) aircraft from the force totals.

The Naval Reserve Association believes that the growth to fifteen (15) carrier battle groups demands more, not less, Combat Search and Rescue capability and, secondly, the increased emphasis on special forces requiring dedicated aircraft support makes this planned reduction of Reserve HAL capability inadvisable to say the least.

NRA has been told that subsequent POM will contain requests for additional UH-60 aircraft.

Recommendation

NRA proposes that four (4) additional UH-60 helicopters be procured in FY 86 at a cost of $25 million. These aircraft will permit the transition initiated this year to continue in these Reserve squadrons and will provide a near-term capability to deploy two (2) 2-plane detachments to meet any worldwide CSAR, HAL or Naval Special Warfare contingency.

RESERVE NAVAL CONSTRUCTION FORCE (SEABEES)

The Naval Reserve Force provides seventeen (17) Naval Mobile Construction Battalions. These units are comprised of the most capable and talented technicians available in the Naval Reserve.

However, they are severely hampered in attainment of readiness goals by a serious shortfall in onboard equipment. The Total Force requirement identifies an additional two (2) battalions required to meet wartime tasking. However, existing equipment shortfalls make it impractical to increase RNCB force levels at this time. The Congress addressed this equipment shortfall last year by adding $20 million for Reserve Construction Battalion equipment.

Recommendation

The Naval Reserve Association recommends a procurement amount of $40 million each year for five (5) years commencing in 1986 in order to equip existing battalions.

ARAPAHO

The ARAPAHO system utilizes modern technology to equip counterships to perform a wide spectrum of naval missions thereby achieving a quick force multiplier on a relatively low cost.

The ARAPAHO system, first briefed in the late 60s as the Reserve Merchant Ship Defense System (RMSDS), has had a tenuous, to say the least, development cycle. The concept has received little if any Navy support and in fact has been kept alive only because of Congressional interest. As a result of this Congressional interest a containerized facility was constructed to provide land/launch/storage and limited support of ASW helicopters. Following a successful test afloat in 1982 the prototype ARAPAHO was off loaded for storage.

The British, with characteristic inventiveness, and facing the Falklands' war recognized the value of the ARAPAHO concept and proceeded to lease this system from the U.S. Government. They improved the incomplete U.S. version by adding POL storage, crew berthing and messing facilities. The experience gained in the Falklands conflict convinced the British of the viability of the ARAPAHO system and in the Spring of '83 British Aerospace was tasked to convert another containership for Royal Navy use employing the ARAPAHO concept.

The Naval Reserve Association believes the ARAPAHO system to be a low cost force multiplier of great value to the U.S. Navy. As a case in point the NRA believes ARAPAHO could have provided "mother ship" capability for the mine counter-measures recently concluded in the Suez by the U.S. Navy. The utilization of a suitably equipped ARAPAHO system would have avoided the necessity of expensive air transport and the commitment of a dedicated amphibious assault ship to this mission. The Naval Reserve is scheduled to commission its first mine counter-measure squadrons in FY-87.

Recommendation

The Naval Reserve Association recommends that funding be provided to construct two ARAPAHO systems one in FY-87 and one in FY-88 to support these squadrons. The estimated procurement cost is $20 million each. The NRA further recommends any required lead time funding be identified and provided in FY-86.

NAVAL RESERVE STRENGTH

Naval Reserve manpower requirements continue to grow both as a function of Navy growth toward a 600-ship fleet and an increasing number of Navy manpower planners embrace Total Force planning dictated by the Navy Manpower Mobilization System (NAMMOS).

Naval Reserve strength is programmed to attain 100% of NAMMOS in FY 88. To attain this goal, over 6,500 full-time support (TAR and 265) and 20,000 category "A" Selective Reserve personnel will have to be recruited and retained.

In order to attain and maintain this strength in the upcoming era of a declining manpower pool, the full spectrum of recruiting/retention incentives must be applied. Bonuses and incentive programs are valuable tools in this effort and must be constantly reviewed and adjusted to maximize their effect.

The Naval Reserve Association strongly recommends the continuation of the current Selective Reserve bonus package which provides an enlistment bonus for non-prior service reserves. The reenlistment/extension bonus incentive applicable to those Reservists currently affiliated and the affiliation bonus applicable to those potential Reservists who have completed active duty obligation but not the minimum service obligation should also be retained. These programs have been very effective in sustaining Naval Reserve growth, however, the above programs are scheduled to terminate at the end of FY 85. The Naval Reserve Association strongly supports their continuation.

Additionally, the NRA supports the establishment of an additional enlistment incentive program designed to attract prior service personnel who have completed MSO. The NRA recommends the enactment of this type enlistment incentive this year.

As noted previously, the Naval Reserve Force growth encompasses not only Selective Reserve increases, but also requires 6,500 full-time support personnel (TAR and 265) if NAMMOS strength is to be achieved. This growth occurs primarily in the NRF ships, ship intermediate maintenance facilities (SIMAs) and aviation squadron and intermediate maintenance modernization requirement.

Recommendation

The NRA strongly supports a TAR selective reenlistment incentive program

TARGETED TO ENSURE THE AVAILABILITY OF THESE KEY PERSONNEL IN THE NAVAL RESERVE FORCE.

FAMILY SUPPORT

IT IS CLEAR THAT FAMILY ATTITUDES EXERT GREAT INFLUENCE ON THE INDIVIDUAL MEMBER OF THE GUARD AND RESERVE COMPONENT.

THE STRESS ON THE RESERVIST'S FAMILY IS GREATER BECAUSE THE TIME HE OR SHE DEVOTES TO RESERVE DUTY COMES ON WEEKENDS AND DURING SUMMER VACATION PERIODS.

THE RESERVIST'S FAMILY GENERALLY HAS BEEN IGNORED AND NOT RECOGNIZED AS A VALUABLE PARTNER WHOSE ATTITUDE GREATLY AFFECTS INITIAL RESERVE AFFILIATION, DRILL ATTENDANCE AND REENLISTMENT DECISIONS. MORE SIGNIFICANTLY, THE RESERVIST'S FAMILY IS TREATED UNFAIRLY AND AS A SECOND CLASS CITIZEN IN CURRENT LAW, PARTICULARLY WHEN THE RESERVIST IS INJURED OR DIES WHEN ON ACTIVE DUTY "FOR LESS THAN 30 DAYS".

CURRENT PROVISIONS OF PUBLIC LAWS CONCERNING MEDICAL CARE AND RELATED BENEFITS FOR MEMBERS OF THE GUARD AND RESERVE PROVIDE REDUCED CARE, AND IN SOME CASES, NO DEPENDENT BENEFITS WHEN A RESERVIST IS INJURED, BECOMES ILL OR IS KILLED, MISSING IN ACTION OR POW WHEN THE RESERVIST HAPPENS TO BE ON ORDERS FOR "LESS THAN 30 DAYS".

INCREASED RELIANCE ON THE RESERVE COMPONENT OF THE TOTAL FORCE PLACED RESERVISTS IN HOSTILE FIRE SITUATIONS IN BOTH GRANADA AND LEBANON LAST YEAR. HOWEVER, THE FAMILY OF A RESERVIST ON ACTIVE DUTY FOR LESS THAN 30 DAYS KILLED ALONG SIDE OF HIS ACTIVE DUTY CREW MEMBER WOULD NOT RECEIVE THE SAME SURVIVOR BENEFIT PACKAGE, I.E., NO DEPENDENT MEDICAL CARE, COMMISSARY AND EXCHANGE PRIVILEGES.

RECOMMENDATION

THE NRA SUPPORTS LEGISLATION DESIGNED TO PROVIDE SURVIVOR BENEFITS BASED ON "LINE OF DUTY" CRITERIA WITHOUT REGARD TO LENGTH OF DUTY OR TYPE OF ORDERS.

THE SECOND AREA OF CONSIDERATION IS THE BENEFIT OF COMMISSARY AND EXCHANGE PRIVILEGES. THE CURRENT DOD TEST PERMITTING RESERVISTS AND THEIR DEPENDENTS TO USE COMMISSARY AND EXCHANGES WITH A FREQUENCY TIED TO DRILL PARTICIPATION SHOULD BE FORMALIZED INTO LAW. ADDITIONALLY, UNLIMITED COMMISSARY AND EXCHANGE PRIVILEGES SHOULD BE EXTENDED TO THOSE RESERVISTS WHO HAVE COMPLETED TWENTY (20) YEARS OF QUALIFYING SERVICE BUT WHO HAVE NOT YET REACHED AGE 60.

THESE INDIVIDUALS ARE IN AN AMORPHOUS SITUATION WHEN IT COMES TO RETIREMENT BENEFITS. THEY HAVE SERVED THEIR COUNTRY WITH HONOR BUT WILL NOT DRAW A PENNY'S WORTH OF RETIREMENT COMPENSATION UNTIL THEY REACH AGE 60. DURING THE PERIOD BETWEEN THE TIME WHEN THIS GROUP RETIRES WITHOUT PAY AFTER THEIR QUALIFYING SERVICE AND WHEN THEY REACH AGE 60, THEY ARE NOT ELIGIBLE TO SHOP AT EITHER THE

Exchanges or the Commissaries. The perception among the Reservists is that they are second class citizens, a group of forgotten patriots. NRA does not believe the active force would or should begrudge these individuals the privilege of using the Exchange and Commissary facilities. Total Force has to be meaningful across the spectrum of privileges as well as responsibilities if it is to mean what the term connotes. We do not believe that there would be an onslaught of additional activity at the Exchange or Commissaries around the nation if the privileges were grated to the subject group. Significant numbers of these retirees do not live within commuting distance of the military facilities but they would perceive that their service has been appreciated.

SEA AIR MARINER (SAM) PROGRAM

This program has been a notable success and has achieved its recruiting goals of 10,000/year since it was initiated in FY 84. The NRA remains concerned that there continues to be a shortfall in available "A" school quotas for these raw, untrained recruits. The NRA has learned that only 5,300 "A" school seats are available in FY 86.

The Naval Reserve Association believes much work needs to be done by the Navy in this critical area. The high technology of our present-day force demands an "A" school capability be provided to all our sailors. Equally important is the incentive given to these young men and women by being adequately trained to perform the tasks that attracted them to the Naval Reserve in the first place.

However, the NRA is firmly convinced that the image of the Naval Reserve as a professional, MODERN and capable force is paramount in initial affiliation and subsequent reenlistment decisions. Current state of the art weapons systems in the Naval Reserve is the key. Retrogressive training in obsolete and incapable ships and aircraft must remain a past memory.

Recommendation

The NRA urges the Navy to fully exploit the use of modern teaching methods, utilizing computer learning techniques, greater utilization of simulators as well as private sector involvement to solve this critical training shortfall.

DEPUTY CHIEF OF NAVAL OPERATIONS (NAVAL RESERVE)

The growth of the Total Force has seen the Naval Reserve assume a necessary partnership role in almost every active force mission. Additionally, the Naval Reserve provides 100% of the force capability in several mission areas.

The Naval Reserve Association believes this increase in Reserve importance in Total Force planning and programming requires greater visibility at the CNO staff level.

Recommendation

The Naval Reserve Association strongly supports the establishment of a Deputy Chief of Naval Operations (Naval Reserve), OP-07. Additionally, the NRA believes the DCNO (Naval Reserve) should be a Vice Admiral as are all the other DCNO billets.

EXPANDED RECALL AUTHORITY

The Naval Reserve Association has recommended that the existing Presidential authority to recall 100,000 Reservists for up to ninety (90) days be changed. The Chief of Naval Operations in his 1986 Military Posture statement shares this view when he relates:

> "We intend to build the Naval Reserve Force into an even more capable part of the Navy team. We have taken measured steps to ensure that the Naval Reserve Force will have the trained people, modern ships and aircraft, and integrated logistics support to do the job upon mobilization. We are working toward optimum utilization of all our Assets.
>
> "We have made important headway on Congressional directives to increase our reliance on Selected Reserve units to assume responsibilities traditionally assigned to active duty units. I am, however, concerned that we may not be able to gain maximum potential from the Reserve in the period prior to full scale hostilities. For example, development of the concept of Maritime Prepositioned Ships has generated a potential need for early availability of cargo handling forces. These forces will support the U.S. Marine Corps in establishing Marine Amphibious Brigades ashore in overseas locations within ten days of an alert. This scenario could unfold in a pre-hostilities environment prior to the execution of any form of mobilization or call-up. Since active duty cargo handling forces are not sufficient to carry out this mission, early recall of Reserve cargo handlers may be necessary. Similar conditions exist in other military support functions which we have transferred from active to our Selected Reserve forces. Ways to overcome this impediment to our ability to respond must be assessed, and I solicit your help in shoring up this important area."

The CNO mentioned the importance of Reserve cargo-handling battalions in Total Force planning. It is also important to note that Reserve Forces comprise 100 percent of the logistics airlift, 100 percent of the Light Attack and Combat SAR capability, 99 percent of the Naval control of shipping, over 80 percent of the ocean minesweepers, more than 60 percent of the Mobile Construction Battalions and Special Boat Forces and 35 percent of the Maritime Patrol (VP) squadrons. The recently-started Mine Warfare Craft of Opportunity (COOP) program and the soon-to-be-started mine-countermeasures squadron (FY 87) increase the dimension of Naval Reserve Force capability in Total Force planning.

Commensurate with this increased reliance on the Naval Reserve, it is clear that recall authority in advance of a national emergency is both prudent and reasonable.

RECOMMENDATION

THE NRA RECOMMENDS THAT CONSIDERATION BE GIVEN TO INCREASING BOTH THE NUMBERS OF PERSONNEL AND THE LENGTH OF SERVICE THEY CAN BE CALLED UP FOR BY THE PRESIDENT.

SUMMARY

MR. CHAIRMAN, COMMITTEE MEMBERS, THE NRA APPRECIATES YOUR INTEREST IN CONTINUING TO PROVIDE THE GUARD AND RESERVE WITH THE CAPABLE, MODERN WEAPON SYSTEMS THAT ARE ESSENTIAL TO MAINTAIN THEIR HIGH LEVEL OF READINESS AND PERFORMANCE.

EQUIPMENT IS THE KEY TO MISSION READINESS. THE RESERVE MARITIME PATROL FORCE, PERHAPS OUR MOST CAPABLE FORCE SEGMENT, IS FACING SERIOUS DIFFICULTY. WE RECOGNIZE THAT SOME OF OUR RECOMMENDATIONS, PARTICULARLY THE AQA-7 SIGNAL PROCESSOR UPDATE INITIATIVE, ARE A RADICAL AND NEW APPROACH TO RESERVE EQUIPMENT MODERNIZATION, I.E., AN R&D PROGRAM FOR RESERVE AIRCRAFT. WE TAKE THIS APPROACH ONLY BECAUSE, AS FAR AS WE KNOW, NO OTHER MODERNIZATION ALTERNATIVE EXISTS OR IS PLANNED. THE NAVAL RESERVE ASSOCIATION BELIEVES THE MOST COST-EFFECTIVE WARTIME ASSET IS A RESERVIST TRAINED IN A MODERN, CAPABLE WEAPON SYSTEM. WE LOOK FORWARD TO WORKING WITH YOU ON THESE INITIATIVES AND THANK YOU FOR THE TIME YOU HAVE PROVIDED US TO PRESENT THEM.

PREPARED STATEMENT OF SGT. MAJ. C.A. (MACK) MCKINNEY (RET.) U.S. MARINE CORPS, VICE PRESIDENT FOR GOVERNMENT AFFAIRS, NON COMMISSIONED OFFICERS ASSOCIATION OF THE USA (NOCA)

Mr. Chairman: I am Retired Sergeant Major C.A. (Mack) McKinney, U.S. Marine Corps, Vice President for Government Affairs, Non Commissioned Officers Association of the USA (NCOA). NCOA is the largest quasi-military association serving career enlisted military personnel of the U.S. armed forces. Of its 175,000-plus voting members, 83 percent are currently serving on active duty as Noncommissioned and Petty Officers in the Army, Navy, Marine Corps, Air Force and Coast Guard. The remainder have served; some retired, others are veterans or are serving in the Reserve and National Guard.

I extend the appreciation of all members of NCOA for allowing me to express the association's views on the FY 1986 Defense Manpower Appropriations request. At the same time, NCOA gratefully acknowledges the work of this distinguished panel over the past years in providing quality-of-life improvements for our servicemembers. The association applauds and salutes the chairman, members and the staff for a job well done.

First, I wish to relate to the subcommittee that NCOA is well aware of the deficit the nation has faced in the past years and the obvious one waiting for us if the FY 1986 budget request is approved. The subcommittee is faced with a growing list of needs far beyond available funds. Sizable cuts will be made but NCOA is in hope those cuts will not come from many of the military personnel items which have awaited corrective action from Congress over the years.

NCOA has always advocated a strong U.S. defense posture. Rarely has the association recommended decreasing hardware requests to satisfy the quality-of-life improvements needed in the military structure. However, there is again a deep concern that sustained rejections of important military personnel items will bring about another exodus of career enlisted and officer personnel as occurred in the late 1970s. Also of great concern is the proposal to reduce the current strength of the defense manpower forces, particularly those of the military. Last, but not least, is the association's interest in the military retirement program.

MILITARY MANPOWER IN THE EIGHTIES

Today's armed forces have, for the most, the finest, best disciplined, dedicated, and qualified servicemembers in the history of a peacetime military. The differences in today's military members and their counterparts of 5-to-10 years ago is likened to the contrast between red hot and ice cold. Right now they are running red hot but there are cooling-off signs appearing on the surface.

In many ways the recruiting and retention of quality personnel have a most significant effect on the costs of military manpower, but there is a choice. Congress can return to a selective draft which NCOA opposes for reasons related to the preceeding paragraph. Additionally, quality makes today's servicemembers more trainable, causes less disciplinary problems, reduces early attrition, brings a greater sense of pride and loyalty to the armed forces, and importantly offers greater job satisfaction to noncommissioned, petty, warrant and commissioned officers who must retain and lead them through their formative years in the military. These and other factors add up to a high-level of combat readiness never before enjoyed by this nation in a peacetime environment.

They also add up to real but intangible savings in overall manpower costs. Returning to a peacetime draft would surely reduce our current readiness posture and cause a repeat of the 1970 turmoil that overtook our career enlisted and officer ranks. This nation cannot afford to lose what it has done over the past 5 years to bring military personnel to the level of readiness it now enjoys.

MILITARY COMPENSATION

There is much to do about military compensation. Almost everyone appears to have their own view concerning the adequacy of military pay: regretfully too many use officers' pay to make comparisons. Whether officers' pay is too much, just right or too little must be determined by other than those in the enlisted grades. NCOA does state unequivocally that the pay for many noncommissioned and petty officers, particularly in pay grades E-4 through E-7, has been deliberately depressed over the years.

NCOA believes Congress should again take a hard look at the possibility of targeting another pay hike for E-4s through E-7s. E-4s and E-5s, for example, receive insignificantly small wage increases for assuming greater authority and leadership positions upon advancement to those grades.

In a paper NCOA submitted earlier this year to the President's Advisory Committee on Federal Pay, special attention was directed to the pay of E-4s and E-5s. It noted that an E-3 advancing to E-4 and assuming the position of squad leader receives only a 6 percent hike in basic pay. An E-1 promoted to E-2, continuing as a member of a fire team with no more authority or responsibility, receives a 12 percent raise. The new E-2 is now richer by $2.50 each day while the new E-4 takes on additional duties for only $1.48 a day. (NOTE: This paper is available to the subcommittee upon request.)

Of course, NCOA does not anticipate an increase in basic pay sufficient to cover a targeted pay hike in FY 1986. Since there have been nothing but caps placed on pay raises since October 1981, delays in paying the increases from October to January, and a loss of purchasing power over a 3½ year period, NCOA encourages Congress to approve the Administration's request for a 3 percent across-the-board pay hike effective July 1, 1985.

OTHER PERSONNEL PROGRAMS

NCOA continues its support for improvements in Permanent Change of Station (PCS) programs. Increased funding for higher household goods weight allowances, mileage reimbursements and temporary lodging expenses are not only needed but necessary to correct existing deficiencies and inequities. When Congress requires our servicemembers to pay out-of-pocket expenses for moving their families and households under government orders without adequate reimbursement an injustice exists. The injustice is magnified, with every move, on average of every three years, as families and household goods grow larger.

NCOA also urges Congress to approve the requested funds for recruiting. Tougher times are ahead. Quality can be maintained only if there are experienced recruiters out there in the civilian sector to do the job. They need the money and the tools to accomplish their tasks in an ever-increasing and growing competitive climate.

FAMILY ISSUES

Over the years more and more military personnel are marrying, many of them early in their initial enlistments. Some are married on entry in the Services. This change in social mores places a larger demand on the military to provide more and better family services.

NCOA urges Congress to review at length and make much needed improvements in the CHAMPUS program, survivor programs, dental care for active duty dependents as well as retirees, burial expenses and death gratuity payments. Additionally, the association encourages the subcommittee to take another look at housing allowances. Some are adequate, others not. When servicemembers are called upon to make constant moves, involuntarily assigned to remote locations, ordered to spend extra time at sea or overseas, forced to separate from family and friends, plus other contingencies of military service, the least Congress can do is provide them with adequate housing or quarters, or furnish allowances that are sufficient to cover the cost of adequate housing, and care for other families while they serve this Nation.

Although some may say that a draft would cure the need for funding many of these family services, NCOA believes the current marital status of our servicemembers will not change to any significant degree. If anything, the association further believes the number of married junior enlisted members will increase. This will create a greater demand on the Services to care for families whose military heads are too inadequately compensated to do it themselves.

MILITARY STRENGTHS

NCOA cannot in good conscience, irrespective of the budget deficit, agree to a reduction in current military manpower strengths. The association may very well disagree with any cut in civilian strengths. The reason is simple; there isn't enough manpower to meet required commitments imposed on the military by the Administration, Congress and the Service themselves.

A reduction of 76,200 in military manpower and a cut of 104,600 in current civilian strengths would drop total DOD manpower levels to those related with the 1970s, following the Vietnam conflict, and far below those of the post-Korea era, including the Cuban crisis of 1962. In both periods, the 1970s and post-Korea era, many units went to a "housekeeping" status. Troops had to abandon quarters, working areas, housing, maintenance of weapons and other equipment, to mention only a few, allowing the environment to act as their watchdog.

Training took second place, time permitting and there generally wasn't any. Troops were used to maintain grounds, work longer hours and days trying to keep useful systems and equipment operable and picking up beer cans off of highways. They also filled in after hours for civilian workers who could not complete their tasks in an 8-hour workday (no overtime authorized), and—in general—watching combat readiness fall to a deplorable level.

Three major reasons caused career enlisted and officer servicemembers to abandon the military in the late 1970s. One was inadequate pay, another was the low quality of personnel entering the services and third was the lack of manpower to accomplish the missions assigned to the units. NCOA can only warn Congress again, as it did in the mid-1970s, that it cannot ignore personnel programs and expect servicemembers to accept the results without "voting with their feet."

MILITARY RETIREMENT

One more issue now confronts military personnel—that of threats to their retirement system. Most military retirees are in enlisted pay grades E-6 and E-7. On retirement at 20 years of service, their retired pay is less than the median income of a couple retired on social security and far less than what some welfare recipients receive from federal and state funds.

Further, most leave the service because they've reached their terminal grade, the Services have no further use for their talents, they are too old to effectively function in a combat environment, their families have had enough of separations and moves, or they've spent too much time at sea or deployed overseas. When they retire, many have growing families and are unable to survive on the small stipend they receive as retired pay.

NCOA believes the current retirement system is neither lavish nor generous. For many who served, the receipt of retired pay is more than "reduced compensation for reduced services." It is "deferred" pay promised to those who stayed on active duty for 20 or more years to honorably serve their nation and its citizens. Additionally, quite a few served in World War II, Korea and Vietnam.

NCOA makes no recommendation for a change. However, the association suggests that those members of Congress who are sincere in "grandfathering" the current system may want to introduce and actively support a resolution making it the sense of Congress that no changes will be made to the system for those now on active duty. This will do wonders for the morale of our servicemembers. It may cause many of them to change their minds and opt for longer service beyond 20 years. (NOTE: NCOA has a pamphlet available on the military retirement system that is available to the subcommittee upon request.)

CONCLUSION

The ball, so to speak, is in the hands of Congress. The decisions made this year will dictate the way the military goes in subsequent years. The wrong decisions will cause a reversion in combat readiness to a level of "unacceptable," as in the late 1970s. The right decisions will sustain the current level which has never been equaled in quality, morale, discipline, and readiness.

Thank you.

PREPARED STATEMENT OF MASTER CHIEF JOHN B. THOMAS

Mr. Chairman, committee members, the Naval Enlisted Reserve appreciates the opportunity of allowing us to provide testimony to the committee for your consideration. We also want to thank the committee for its dedication and determination to provide a strong Guard and Reserve in the total force posture.

Our association also fully supports the Secretary of the Navy and the Chief of Naval Operations in their efforts for modernization and improvement of the capabilities of the Naval Reserve.

Our comments will cover the following items: Naval Reserve strength, compensation, and NRF ships.

NAVAL RESERVE STRENGTH

We fully support the administration's fiscal year 1986 selected reserve strength of 118,209, and the Navy's goal to attain 100 percent of the Navy manpower mobilization requirements by fiscal year 1988.

In order to recruit and sustain the manpower requirements of the Naval Reserve, recruiting/retention incentives must be applied. Bonuses and incentive programs are valuable to this effort and must be constantly reviewed and adjusted to maximize their effect.

The Naval Enlisted Reserve Association strongly recommends continuation of the current Guard and Reserve bonus that provides an enlistment bonus and educational assistance for non-prior service Guard and Reserve. The reenlistment bonus applicable to those reservists currently affiliated and the affiliation bonus applicable to those potential reservists who have completed their active duty obligation but not the minimum service obligation. These programs have been very effective in sustaining Naval Reserve growth. However, these programs will terminate at the end of fiscal year 1985. The Naval Enlisted Reserve Association strongly supports their continuation and the establishment of an additional enlistment incentive program designed to attract prior service personnel who have completed their military service obligation. We also support a unit incentive pay for high priority difficult to man units.

The Naval Reserve force growth encompasses not only selective Reserve increases, but requires 6,500 full time support personnel. This growth occurs primarily in the NRF ships, SIMAS, aviation squadrons and intermediate maintenance modernization requirement. NERA strongly supports a TAR selective reenlistment bonus program to ensure the availability of these key personnel.

In the past 3 years our association requested and recommended to Congress that canvasser recruiter contracts should be extended from a 1 year contract to a 3 or 4 year contract. Naval Reserve recruiters are constantly threatened with noncontinuation or firings. Pressures of this nature effect quality recruiting, and creates low morale among the recruiting force. It also establishes a void for maintaining experienced recruiters. Stability must be assured for the cavasser recruiter, if not recruiters will be recruiting for recruiters.

COMPENSATION

In fiscal year 1984 Congress approved a test program by which drilling reservists in certain areas can visit the commissary stores on a one-for-one basis with the number of days of active duty for training performed that year to a maximum of 14 visits. NERA members very much appreciate the congressional action in this regard.

There was one other request made which NERA had requested Congress to reconsider, particularly since it costs little or nothing to grant.

This subject concerns a group of reservists who have completed 20 years of qualifying service but who have not yet reached age 60 at which time they would be eligible to draw retired pay. These individuals are in an amorphous situation when it comes to retirement benefits. They have served their country with honor but will not draw a penny's worth of retirement compensation until they reach age 60. During the period between the time when this group retires without pay after their qualifying service and when they reach age 60, they are not eligible to shop at either the exchanges or the commissaries. The perception among the reservists is that they are second class citizens, a group of forgotten patriots. We don't believe the active force would or should begrudge these individuals the privilege of using the exchange and commissary facilities. Total force has to be meaningful across the spectrum of privileges as well as responsibilities if it is to mean what the term connotes. We do not believe that there would be any onslaught of additional activity at the exchange or commissaries around the Nation if privileges were granted to the subject group. Significant numbers of these retirees do not live within commuting distance of the military facilities but would perceive that their service has been appreciated. NERA recommends that the Congress adopt legislation which would grant unlimited exchange and commissary privileges to reservists and guardsmen who have completed at least 20 years of satisfactory service for retirement but who have not yet reached age 60.

NRF SHIPS

In fiscal year 1981 Congress approved replacing the age old destroyers with FF1052s and FFG7s, to train reservists for the mission of ASW. Our association is very concerned with constant deployments and the unavailability of the NRF ships for drill weekends. Most ships are available only 75 percent of the time to train the reservists assigned to them. The Naval Enlisted Reserve Association strongly recommends that Congress establish legislation, assigning ship operation and management control to the Chief of Naval Reserve Force. Currently the Chief of Naval Reserve Force controls all aircraft under his command and should control all ships under his command. NERA foresees the continuing of more fleet exercises that are not mission oriented and less readiness training for the selected reserve crew.

Mr. Chairman this completes our statement. If there are any questions, we would be pleased to provide answers for the committee.

PREPARED STATEMENT OF EDWARD G. PIPER

It is with great privilege that I testify today before the members of the Congressional Subcommittee On Military Personnel and Compensation. The proposal I present to you today is designed to be an economical way to attract college-bound young people (age 17-21) into enlisting in the Army National Guard and directly complements the "initiatives for improving the status of the Reserves" previously submitted by Congressman Montgomery earlier this year.

As you are well aware, the Department of Defense is currently involved in a great dilemma concerning its recruiting efforts of college bound young people (age 17-21) into the Armed Forces (to include the Reserves and National Guard). Projections to 1990 show this available age group of young people rapidly shrinking. Additionally, the professional competition for this age group is becoming increasingly keen as the private sector also becomes aware of this situation. Numerous "think tanks" and consulting firms have examined methods of making the Armed Forces more attractive for this college bound age group. The most consistent solution which has surfaced from all of these examinations has been the "offering of attractive educational benefits to young people interested in continuing their education." As noted in the recent Department of Defense Survey . . . "it appears that such benefits stimulate more enlistments and re-enlistments than any other package." In view of the recent cutbacks in federal student tuition aid and college loan programs, more and more college bound youth will examine the military (to include the National Guard) as a sensible alternative for obtaining financial assistance for their educational pursuits. The educational benefits incentive as a "perk" to attract college bound young people (age 17-21) is a method of enticement to be equally shared by both the Regular Army and Army National Guard.

You, the members of Congress are in the precarious position of trying to maintain the defense of this nation while simultaneously expending the least amount of the taxpayers money. Perhaps no other budget brings closer public examination and scrutiny than the budget of the Department of Defense. Recently, as you are well aware, the Grace Commission examined many different ways to reduce the size of this budget. It is common knowledge that military personnel costs carry one of the largest expenditure of the entire DOD budget. While attacks have been made on maintaining the high costs of an "All-Volunteer Military", few positive alternatives have been presented to this Congress. Recently, Senators Hollings and Hart dared to introduce bills calling for separate peace time conscriptions. "The draft" has never been a politically popular method of maintaining this nation's military stability.

Congressman Montgomery, in an effort to focus on a more positive alternative to peace time conscription of our young people into full time military service, has directed this nation's attention to a more cost effective solution. In the March issue of the "'Officer Magazine" he stated ". . . one of the best ways to reduce defense spending is through increased reliance on our National Guard and Reserve forces. We have found that the costs of operating reserve forces is in some cases 40-70% of comparable active duty units." Common sense would dictate that if such an alternative was politically feasible and if it aided in the reduction of tax dollar expenditures, it should be supported by the members of Congress.

If the Congress elects to increase its "national defense reliance" on the National Guard and reserve, it must be prepared to support ways of attracting college bound young people (ages 17-21) into enlisting with the National Guard and Reserve forces. As stated earlier, evidence shows that educational incentives stimulate more enlistments and re-enlistments than any other incentive package. The "Montgomery initiative" to "speed up to the effective date of Reserve participation in the new G.I. Bill" is one substantial and positive piece of this educational incentives package.

My proposal will hopefully be considered as another part of this educational incentive package and complement the positive effects of the Montgomery initiative. As this body of Congress is probably aware, members of the Regular Armed Forces are eligible for the awarding of college credit based on the recommendation of the evaluation guide book written by the American Council on Education entitled "Guide to the Evaluations of Educational Experiences in the Armed Forces." By using this guide, colleges can award college credits for such subjects as management, writing, math, typing, etc., and allow servicemembers interested in pursuing a college degree to transfer these military training college credits towards their college degree plan. In practice this makes every military servicemember a potential college student and serves as a positive incentive for them to continue their education. The continued pursuit of higher education by military servicemembers can only serve to make our military more knowledgeable, more professional, and for greater value to the American public.

My proposal and educational incentive for enticing young people to enlist in the Army National Guard parallels the "evaluation of educational experiences in the regular military" as previously described. If the Army National Guard is required to keep its personnel as militarily proficient as its active duty counterpart; if the Army National Guard is required to provide up to 50 percent of this nation's combat forces in time of war; if there is an adherence to the so-called "One Army concept—that is that the military training practices, philosophies, discipline, and regulations run consistently throughout the Regular Army, Army Reserve and National Guard; and if greater reliance on the National Guard units can save the taxpayers in some cases 40–70 percent of the costs of comparable active duty units; why can't the Army National Guard Personnel receive college credits for their individual State National Guard training (OCS, NCO Academies and unit MOS producing programs)? The only answer my research has identified is: "There is not currently a college evaluation guide in existence for Army National Guard training experiences." Until such an evaluation is researched and written, this evaluation can't be realized. As stated earlier, the American Council on Education's Guide to the Evaluation of Educational Experience in the Armed Forces is currently used for evaluating Regular Army training but has not been applicable to most standard National Guard training programs (state OCS, NCO academies, unit MOS tng programs).

How would Congressional support of the creation of such an evaluation guide serve to stimulate Army National Guards enlistments and retention. To answer that question objectively, as a current Army Reserve Officer, educational administrator, and prior National Guard Training NCO, veteran's educational counselor and veteran's organization's president, I feel qualified to make the following professional assessments.

1. Higher Rate of Enlistment/Re-enlistment for the Army National Guard.

The Army National Guard Tuition Assistance Program for new enlistments has in the past been partially successful in attracting college bound youth (17–22 years). Additionally, the new G.I. Bill for reserve training members will soon serve as a positive educational incentive for this target group to enlist in the National Guard. However, can you imagine from a marketing standpoint the positive effects of the awarding of college credits—(via the creation of a National Guard Training Experience Evaluation Guide) for National Guard Training? An Army National Guard recruiting poster, ad, or recruiter could publicly state "our employment training is professional and deemed qualified for college accreditation . . . Additionally, this college accreditation will help you the prospective college student/National Guard member earn your college degree faster, by allowing you to transfer your National Guard training/college credits toward your college degree program." As a result, the college student/National Guardsman would spend less money on school tuition, books, etc., and realize that his/her time in the National Gurd was not really time taken away from his/her academic pursuits. The overall results—higher enlistment of college bound youth, better morale and retention of National Guard personnel and the development of a more professional National Guard force.

2. The prevention of untimely delays in a National Guard member's pursuit of their educational objective.

Too often college bound young people look at the military/National Guard as a diversion or delay from their college degree. The awarding of college credits for National Guard training would convincingly demonstrate that enlistment in the Army National Guard is really an investment in their education.

3. Enhancement of the National Guard efforts to require all of its officers to earn bachelor degrees by 1990.

The creation of a college evaluation guide for Army National Guard Training experience would allow officers to transfer credits earned from their National Guard Training towards their bachelor degrees.

4. Enhancement of the National Guard efforts to require all of its officer candidates to have 40 credit hours by 1986.

The creation of a college evaluation guide for Army National Guard training experience would allow officer candidates to transfer credits earned from National Guard training toward their required 40 credit hour objective.

5. A positive incentive to National Guard members who have never gone to college or who in the past "dropped out of college—to return to college."

Many present National Guard members might feel that they aren't college material or that it will take too long for them to pursue a college education. The awarding of college credit for National Guard Training experience will serve as an incentive to these personnel to start attending college or return to college by showing them that their National Guard Training experience has earned them anywhere from 3-20 college credits. These credits can of course be applied towards a degree. This type of positive incentive has already been practically demonstrated in this nation's police academies where graduates of a police academy are awarded up to 20 credits applicable toward a college degree. Studies tracking these students have shown a high percentage of them continue their college education after graduation from the academy as a result of this incentive.

6. Local community college and university support for this proposal.

In view of the current shrinking of the student population nationwide and decreasing federal aid for students—I feel that academic institutions would support such a motion. They need more students to stay in existence. This proposal is a method to direct more young people towards college. Like the new G.I. Bill for reserve components, it serves as an incentive to increase local college enrollments.

I must state as a matter of conscience before this committee that I did deal with a few skeptical remarks made by a few military and educational professionals in reference to their initial reactions to their first examination of my proposal. Their main concern . . . is the quality of National Guard training sufficient to warrant the awarding of college credits? My response to that question has been: For the sake of our Nation's defense it better be! As I have stated earlier, the One Army concept dictates that the Army training doctrine, regulations, practices, and discipline be consistent among all of its elements (Active Army, Army Reserve, and Army National Guard). If this is the case and I believe it is, the only action needed to award National Guard members college credits for their National Guard training experience is the research and publication of An Evaluation of Educational Experience in the National Guard guidebook. If the McDonalds Restaurant Chain and the Marriott Hotel Management Training program can have their training programs evaluated for college credit in the National Guide for Educational Credit for Training Programs (A.C.E.)—why can't the National Guard receive college credit for its training programs?

I'd like to think that the National Guard training which prepares our National Guard servicemembers to defend this Nation is just as professional as either of these organizations!

It is my hope that my testimony before you today has convinced you of the importance of my proposal. If supported by the Congress, this proposal to attract the college bound youth of this country into enlisting in the Army National Guard would serve as a means not only to stabilize the manpower strength of the Army National Guard by higher rates of enlistments and re-enlistments but as a device to develop a more professional and better educated soldier for the Army National Guard.

The **Chairman**. Thank you very much. The meeting is adjourned.

[Whereupon, at 11:15 a.m., the subcommittee adjourned, subject to the call of the Chair.]

MILITARY RETIREMENT SYSTEM

House of Representatives,
Committee on Armed Services,
Military Personnel and Compensation Subcommittee,
Washington, DC, Tuesday, April 2, 1985.

The subcommittee met, pursuant to notice, at 10:05 a.m., in room 2118, Rayburn House Office Building, Hon. Les Aspin (chairman of the subcommittee) presiding.

STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES AND CHAIRMAN, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

The **Chairman.** The hearing will come to order. Let me welcome everyone to the hearings that we are holding today and tomorrow afternoon on the issue of military retired pay. It is, as all members know, a very, very touchy subject and a very, very difficult subject to deal with. It is an extremely sensitive subject. And, of course, one that we want to deal with with a great deal of sensitivity.

But it does seem to me that it is time that we really take a very serious course of action on military retired pay. We do have budget constraints. We do have other things in the personnel section of the Defense budget that we want to spend money on, that we need to spend money on for troop morale, for effective use of the military forces. And there just is not any money anywhere to be had.

The other thing which I think is important in this is that Congress really has, as I am sure the gentlemen at the witness table here understand, been doing some things with military retired pay. We did change from twice a year to once a year on the COLA's. We did go to a high three at least for new entrants several years ago.

So we have made changes. And one of the dangers that we face is that we will have a continual process of piecemeal changes if we do not somehow come to grips with this.

So for budget reasons, for equity reasons, for reasons that we want to make sure that we do not have piecemeal changes that might really be very damaging, something passing on the House floor that really might be damaging, but because there has been no debate and no good substantive structural changes underway, it passes and it might be the wrong thing to do.

For all of those reasons, I think that it really is important that we seriously take a look at this, and that we really do something about it this year. That is why I am very pleased to have the most important witnesses that we could have, we have various members of the Joint Chiefs of Staff here with us today to tell us about their views of the system, what we have to avoid, what are the dangers, what are the cautions, the green lights, the amber lights, and the red lights that you see in this whole process.

Before we begin, let me call on Bud Hillis to see if he would like to make some comments.

STATEMENT OF HON. ELWOOD H. (BUD) HILLIS, A REPRESENTATIVE FROM INDIANA, RANKING MINORITY MEMBER, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

Mr. Hillis. I have just a very brief opening statement, Mr. Chairman. I want to join with you in welcoming our distinguished witnesses here this morning. And second what you say that we have a very difficult challenge in dealing with the retirement issue. And, as our Nation's senior military leaders, I know that you will be able to speak from a unique vantage point, and we look forward to hearing your testimony.

Let me say from the beginning, that we here on the Military Personnel and Compensation Subcommittee and the Armed Services Committee of the House attach great importance to the retirement system. It seems a powerful draw for our service members at the 8- to 10-year point to stay or not to stay to complete a full career.

I personally have been reviewing a lot of previous studies that have been made of the retirement system, and I have found that I do not think that there are any easy answers to the dilemma that is facing us. But I am sure that the testimony that you are going to give in these hearings this morning will be of assistance in clearly focusing our attention to those points of the issue that we should address.

Again welcome, and thank you very much.

[Statement of Mr. Hillis follows:]

PREPARED STATEMENT OF ELWOOD H. (BUD) HILLIS

I want to welcome our distinguished witnesses this morning. We face a difficult challenge in dealing with the retirement issue. As the nation's senior military leaders, you are able to speak from a unique vantage point, and we look forward to your testimony.

At the outset, let me say that there is no question that military personnel attach great importance to the retirement system: It serves as a powerful draw for service members at the 8 or 10-year point to stay for a full career. Obviously, it is very hard to adequately compensate a young sailor for the long family separations and arduous duty he encounters on back-to-back deployments to the Indian Ocean. That makes the prospect of a retirement benefit after 20 years a key factor at reelistment decision time.

Unfortunately, the retirement system is also costly, and it is increasingly viewed by the news media and the public at large as overly generous. Given the dimensions of the budget deficit over the next few years, the pressure for change is enormous. It behooves us to evaluate how the cost-effectiveness of the system might be improved.

We have a moral obligation to ensure that we don't pull the rug out from underneath those already retired or those currently on active duty. Therefore, if changes are to be made, I feel strongly that they should apply only to new entrants and am confident that I am far from alone among the members of this committee in that respect.

I have been reviewing the previous studies of the retirement system. There are no easy answers to the dilemma before us, but I hope that these hearings will assist in more clearly focusing the issues. Again, welcome to each of you and thank you for your participation this morning.

The Chairman. Sonny Montgomery.

STATEMENT OF HON. G.V. (SONNY) MONTGOMERY, A REPRESENTATIVE FROM MISSISSIPPI

Mr. MONTGOMERY. Thank you, Mr. Chairman. I would like to welcome the chiefs of the different military services, and say that it is important that we do look at the retirement system. But I would like to make it crystal clear that we are not trying to look into situations that would basically change the retired pay of those who have already retired in the military, and certainly those who have a number of years of service in the military and are serving now.

It is not the chairman's intention or members of this subcommittee in the informal meeetings that we have had to do any damage to those who are on retired pay and those that are in the military service now.

But to save the Social Security System, we did have to take some actions on persons coming into the Federal service, that we did move forward in that area. But I think that it is necessary, Mr. Chairman, that the Chiefs tell us today what areas we could move into to make the retirement system fair for those coming into the service, and also compare it with the Federal employees who are not in the military.

It is important that you tell us how you feel today, so that we can decide which way we want to go. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, and I thank all members of the subcommittee. Let me remind the members of the subcommittee that the second hearing in the series will be tomorrow afternoon at 2 where we will have a panel of people who are experts in the area of retirement pensions and military retirement.

Let me turn now to our witnesses, and thank them all for coming. I have no particular preference in order. If you do not, we can start at one end and go down the other.

Admiral WATKINS. Thank you, Mr. Chairman. I have a formal prepared statement that I would like to offer for the record. And with your permission, then I would like to give you a brief oral review.

The CHAIRMAN. Would you please. Let me just say at the outset that without objection all formal statements will be put into the record. And take whatever time that you want to say what you would like to. We will start with Admiral Watkins.

STATEMENT OF ADM. JAMES D. WATKINS, CHIEF OF NAVAL OPERATIONS, U.S. NAVY

Admiral WATKINS. Thank you, Mr. Chairman. I have been involved in manpower issues for the past several years, most recently as Chief of Naval Personnel, Vice Chief of Naval Operations, and now as Service Chief and member of the Joint Chiefs of Staff.

I know that there has been continuing discussion, study, hearings, and even proposed legislation on military retirement. As I review the history of this issue over the last several years, there are some important similarities that characterized each debate. You mentioned one earlier.

First, is no lack of emotion on the issue, probably because the system is so important to so many career military people, and the cost of the system is admittedly large. Second, there are major misunderstandings about the system, how it works, what it is designed to accomplish, and even about the size of the benefits available to those who qualify.

And third, proposed alternative systems, originally conceived to save money, generally end up either costing more in the near term, or reducing readiness to unacceptably low levels. I would like to take a moment to be more specific.

Under the heading of misunderstandings, there are a host of myths. Some were in the newspaper just today. Myth—that a 20-year veteran retires with 50 percent pay. Wrong. A chief petty officer on a submarine in San Diego would retire today after 20 years with about 27 percent of his pay. A destroyerman there with 20 years would get 31 percent of his total pay. In fact, there are no retirees with 20 years who can qualify for half pay.

Another myth—many retirees get more retired pay than their active duty counterparts. Wrong. Among all services, there are only 343 retirees who fit in this category; 271 of these are disability retirees. This situation was the direct and combined result of the 1970's high inflation and military pay caps, and it no longer pertains.

Myth. Mr. Grace tells us that military retirement is a six times more generous system than the average private sector plan. Wrong. The system is about 1.2 to 1.5 times better than the average plan depending on the assumptions about inflation. I would hope that it would be better.

Military service is not average service. Not many occupations include unlimited working hours without special compensation, moves of family when and where the Government tells you, 7-month periods away from home, and for too many potentially hazardous situations that too often become extremely dangerous.

When we compare naval occupations to like civilian ones, we find a civil servant, when transferred, receives 10 times as much in the way of allowances and reimbursements as a military person of comparable seniority. In fact, it takes a retired chief petty officer 2 years of retired pay just to make up the difference in benefits for one transfer.

A merchant marine electrician makes twice as much money as his Navy counterpart. Most firemen, policemen, and other high risk occupations have noncontributory plans that generate early retirement. The General Accounting Office, in testimony before this committee, made their comparisons with other high risk occupations and found our system comparable to those in our country and abroad. Nearly all private sector plans pay benefits based on total compensation, not just one portion of it, as does in the military system.

The purpose of our present system is to maintain a youthful and vigorous force. That was recognized in the first general retirement law in 1861, the law in 1916 that created our present fleet reserve, and by this committee when making legislative history on the Defense Officer Personnel Management Act as recently as 1980.

In this latter regard, wording in the committee report reads:

> There is nothing new about this concept. It has been in effect for nearly 35 years and on the whole has served the country well. The system has given the armed forces what they never had in peacetime a youthful, vigorous, fully combat-ready officer corps.

You were talking, in that case, about the up-or-out officer promotion system. As you are well aware, retirement and promotion systems are carefully linked components. After each war, you have heard statements from those who knew best about the need for a youthful force.

General MacArthur said, "We have spent the first 5 to 6 months of every war reorganizing and getting set up so that we could start to enlist and train forces who can fight the war."

Eisenhower argued in congressional testimony during 1946 and 1947 that, "We must take steps to maintain a youthful and vigorous force, and not regress to the extended career policy of the past."

So if you accept the fact that one, perhaps the major purpose of the so-called retirement systems for the military is force management, then you have to conclude that our system is just starting to work well. There should be no doubt about the dire straits that we were in during the late 1970's.

We are now climbing out of that frightful period of career force inadequacy. Our success is due to many things: A total compensation package that appeared attractive to enough of our people; an economy in the latter part of the last decade and the early part of this one that did not offer enough of a draw to hurt careerist's retention; and massive catchup pay increases 4 and 5 years ago to stop the hemorrhage of senior talent.

We are all happy that the economy and the job markets are turning around. We are equally happy that our total military compensation package still seems attractive to many young men and women. Why then does it make sense, just when there is increasing economic draw to leave, to make serious changes to a major element of the compensation package and help our sailors make a choice that we do not want and cannot afford?

It simply does not make sense. The risk is too high. We know because we are just escaping from a distasteful experience when we lacked sufficient career personnel to man our ships so that we could operate safely. We ought not to do that to ourselves again.

IMPORTANCE OF MILITARY RETIREMENT

There should be no doubt about the importance of military retirement to our people. In the last few weeks, I have spoken with over 4,000 personnel in the Jacksonville/Cecil Field Mayport, FL area—2,500 sailors aboard U.S.S. *Saratoga,* 5,000 members of the *Independence* battle group in the Indian Ocean, and even a 175 man crew of a frigate in the Persian Gulf. Each and every session, the No. 1 item of concern was what the Congress was going to do to change our retirement laws. They want to know if their benefits are still secure. They use such words as, "Will our commitment be honored?" "Can we trust them to live up to the Government's obligation to us?"

It is plain talk from our sailors who are very concerned. These days they do not often ask questions about themselves as they did in the 1970's. They usually ask me about world events and important operations, and how their ships and squadrons fit in. We ought to listen to them. We need them to stay with us.

I believe that our military personnel are reacting to what they hear, but equally important, to what has happened in the recent past. As you mentioned earlier, major reductions have already been made. Active duty cost of living adjustments have been reduced and delayed. These have, of course, direct impact on future retired pay.

High three averaging has been implemented for those entering after 1980. Many retirees have seen firsthand how easy it is for government to cap COLA's on an annual basis. One need only to read service newspapers, such as the Navy Times, to learn that limiting COLA's to one half for retirees under 62 would reduce a chief petty officer's benefit by 40 percent by the time he reached age 62 if inflation averaged around 5 percent.

Sailors do not have to be economists to see what is happening and what could happen. The bottom line for me as Chief of Naval Operations is simply this: The system that we have now is directly related to readiness. It is not extravagant in relation to other plans designed to compensate high risk personnel. The system is not well understood by some, but it is tremendously valuable to the people that it is intended to influence.

We have reached in the grab bag of our complex military compensation system and taken out all of the prizes we could get without doing damage. So in my opinion, we should leave it alone at the present time. It is working.

Thank you, and I will stand ready for questions.

[Statement of Admiral Watkins follows:]

PREPARED STATEMENT OF ADM. JAMES D. WATKINS

Mr. Chairman and distinguished members of the committee, I'm pleased to be here today to provide my perspective on our military retirement system and the potential, or lack of it, for useful change. I like to think I bring a little something extra in the way of experience to this discussion. I've had several tours in our Bureau of Naval Personnel, the last as its chief. In addition, as the senior uniformed official in our service, charged with the well being of our people as well as maintenance of combat ready forces, I'm vitally concerned. There should be no doubt, the way Navy men and women perceive this key benefit and the combat readiness of our Navy are inexorably related. Both aspects of this issue, then, should be of vital concern to all who share responsibility for national security.

As you know, there has been no lack of discussion, study or hearings over the years. Many of these resulted in increased knowledge about the subject, including better understanding of the interrelationship of retirement to many other personnel management tools. Even so, I am struck by the unbelievable amount of misinformation on military retirement. Anyone who reads any of the many papers containing articles on this issue, well meaning articles I am sure, comes away believing that a Navyman can retire after twenty years with half pay. Well, those people are wrong! Reading it time after time does not make it correct. Together we, the leadership of the military and you, the Congress, have established a system of pay and allowances that is so complex it is not well understood, even by those who are paid under the system. Because of the many facets of his pay which are not inlcuded in the retirement computation, a chief petty officer on a submarine with twenty years of service would retire at slightly less than 27 percent of his pay. An isolated case? No. A chief on a destroyer would receive 31 percent and most other examples are similar. I don't expect newspapers to go into enough detail to understand why it turns out this way but we, as the leaders of the people most affected, are obligated to do just that.

The recent Grace Commission did a gret deal of good work. I'm sorry to say that their military retirement effort does not fit in that category. Grace's assertions that the system is six times more costly than private sector plans is simply incorrect. Analyzed in terms of percentage of pay the military retirement system provides about 1.2 to 1.5 times more than the average private sector plan. Note that it is better than the average plan. I would hope so. Our people provide a good deal more than average service in return for this benefit and for the most part receive a good bit less than average compensation while they serve.

It is worthwhile to examine, in summary fashion, the history and rationale behind our present system. The other service chiefs are here today, so I'll relate my remarks directly to Navy but, I am sure, most apply to the others as well. Prior to the start of World War II military careers of 30 to 40 years were the norm. Vigor and initiative were stifled because of promotion stagnation. As General MacArthur said, "We have spent the first 5 to 6 months of every war reorganizing and getting set-up so that we could start to enlist and train forces who could fight the war." General Eisenhower argued in congressional testimony during 1946 and 1947 that we must take steps to maintain a youthful and vigorous force and not regress to the extended career policies of the past. As a result of these and other experiences, Congress set up a system that serves the Nation well. It is an incentive to young men and women to give the middle 20 or more years of their lives in service to the country knowing that they will have a base income on which to build for the remainder of their lives. It uses a principle well known in private industry—deferred compensation. Dollars spent for retirement are not spent in isolation from other compensations dollars. Let me be more specific.

Navy is the largest user of selective reenlistment bonuses. We also pay sea pay to those who are serving in deployable units. There are a host of other special and incentive pays none of which increase by one penny the retirement for which a sailor becomes eligible. What is the purpose of this arrangement? It is a way to encourage our people to do the jobs that need to be done. In that regard it is not too different from differential pay for shift work that is common in the private sector through, I'm sure you know, we pay nothing extra to our many people who routinely work six and seven day weeks and spend months away from their families. When enough people in a particular career field decide to stay in the Navy, we begin to reduce the amount of the bonus for that specialty. We continue to adjust the levels until we get the "right" amount of retention. This is a responsible way to manage the program and it ensures that taxpayers don't pay too much for a particular skill. If these variable compensation packages do not affect retirees pay then how do they relate to retirement?

There is no doubt that future retirement dollars play a large role in peoples' decisions to remain with us or to return to civilian life. We used to think that anyone who stayed with us past seven years was a "career" sailor. We found out we were wrong in the late 1970's when tough operating schedules combined with low pay and high inflation caused many mid-career personnel to leave us. Continued press reports and apprehension concerning retirement stability are producing data that clearly show the importance of the benefit to our people. During the fiscal year 1984, among those who decided to leave the Navy with between 9 and 14 years of service, "Fear of losing retirement benefits" was the number one reason for separating. Does the retirement system keep people in the Navy? It won't do it alone but, as the data shows, it is an important factor. Reducing retirement benefits will reduce retention. That, in turn, will cause us to raise other levels of pay. There is no free lunch. Will it cost more or less to do it with dollars in some scheme other than our present retirement system? I don't have precise answers that I trust. But I do know that breaking faith with our people who joined with Navy and serve with an expectation of their present retirement system at the end of their careers will cause an exodus—and rightfully so. It will cost us money and readiness to get back to where we are today. While we experiment, we, and the Nation's defense will suffer until we get it right again. That does not sound like a reasonable approach to me.

A few moments ago I mentioned the Grace Commission. Much of this report centered on comparisons with private sector plans. I'd like to do a little comparing myself, for, if we are to consider one part of my peoples' compensation, I'd like to do a slightly more comprehensive job. If you can agree with me that we must look at an entire compensation package as a motivating, or demotivating, force then we have to understand the whole picture before making reasoned decisions.

People in the Navy are not overpaid. Let me give you examples based on Bureau of Labor Statistics. A Navy second class petty officer on sea duty makes slightly more than ⅓ as much as a merchant marine electrician. He makes less than ½ as much as a civil service worker in the same occupation. When a Navy man or woman is transferred to a new duty station much of the cost of the move is paid by the individual, not by the Government. Though I don't think so, that might be alright, if that were the case for other employees. It does not happen to be the case. A civilian employee (GS-9) with a wife and two children moving from San Diego to Washington, D.C., would receive approximately $19,350 in cash and benefits. A chief petty officer, same size family, same move, receives less than $2,000. Our people are transferred many times during a career. Unlike their civilian counterparts, these transfers are not voluntary. They are a condition of service. It takes our retiring chief petty officer two years of retired pay just to make up what he lost on one transfer. If you add up all the dollars received during, and after, active service, much of the "good deal" begins to look less good.

I have painted a stark picture and one wonders why as many as 13 percent enlistees do remain to serve at least 20 years. It is simple. There is much more to a naval career than money. Most Navy people could earn more some other way. That fact is borne out by several reputable studies that show military retirees' lifestream earning, including retired pay, to be less than those with comparable civilian careers. Our people stay for several reasons. Hard work, family separation, years of lower than average compensation, are offset by desire for meaningful contributions to jobs and organizations they can respect, by the camaraderie that comes from service with like-minded individuals in sharp units, by a true sense of patriotism that I sense when I visit our fleet units and, yes, by a feeling of security for their families that we have led them to believe is available to them when their service is done. Under any circumstances, it would certainly not be equitable, or even ethical, to break contract with and expectations of those who have already chosen to serve.

Many major changes have already been made to military retirement. High three year averaging now pertains to those who came aboard after 1980. Semi-annual cost of living adjustments (we mistakenly refer to them as "pay raises") became annual, then every 13 months. Adjustments were capped for retirees during the past three fiscal years. These are not trivial changes. If we were, for example, to limit a retiring chief petty officer to ½ inflation for his cost of living adjustment every year from transfer to Fleet Reserve at 41 until he reached age 62, and the Nation averaged 5 percent inflation during those years, he would lose 40 percent of his retired pay's buying power. Remember, this fellow only started with 27 percent of his pay when he finished his 20 years. This type of adjustment can best be categorized as cruel. People won't understand it until it is too late. Then they will feel betrayed, and rightfully so in my opinion. It won't take long for the word to get back to the very people we need to retain and it won't be only retired people we have hurt.

Many seem to be concerned because of major increases in retired pay that were realized by some during the 1970's. That was the direct impact of runaway inflation coupled with active duty pay being held at lower levels. Cost of living adjustments for retirees were not matched by similar adjustments for those on active duty. That is not a fault of the retirement system. It is a result of outrageous inflation and decisions to hold down active duty pay. Active duty personnel responded by leaving in droves. Changing the retirement system is not a logical fix for the problems of the 1970's. Our goal should be to avoid such problems in the future.

I have referred to the "retired" pay system throughout my statement today. That is not really an accurate characterization of the system. For many years of the individual's life after active service, it is "retainer" pay. That is the way it is stated in much of the pertinent legislation. Colonel Theodore Roosevelt, Assistant Secretary of the Navy at the time the Fleet Reserve was established, described retainer pay during a congressional hearing as, "advanced retirement pay * * * retirement pay given before they get to the age of retirement in exchange for which they give certain rights to the United States Government." This category was created by Congress in 1916 to provide a pool of experienced personnel who could be recalled to active duty on short notice in time of war or emergency. That authority was exercised in 1942 when 67 percent of our Fleet Reserve and enlisted retirees were recalled to join in the fight. The Fleet Reserve concept is as valid today as it was in 1916—a pool of dedicated, highly qualified personnel who are ready to serve. It is a logical adjunct to the other portions of our Naval Reserve and precisely in line with the many Reserve initiatives underway in all our services.

Mr. Chairman, I may not have helped you much today. I have not given you a blueprint for a new retirement system. I don't think we need one. I think we need to better understand what our system does for us, how it relates to readiness, why it has absolutely nothing to do with return-to-the draft questions, and how it is viewed by the people it affects most—today's active duty Navy men and women, both careerist and those still undecided. I represent them, and I do so proudly for they give me every reason to be proud of them. We don't pay them too much, while they serve, while they remain in our Fleet Reserve or, later, when they are truly retired. The complex system we have today has evolved as a total, integrated supply-and-demand compensation system and attempts to reach in the grab bag and excise individual pieces will assuredly stop the machinery. The average enlisted man gives us nearly 23 years out of the most productive years of his life. The average officer serves for 24 years. We don't provide any vesting—they've got to make it all the way to the end to get anything at all. I don't think we do too much for them, and I certainly don't think we should do any less.

I'd be pleased to answer any questions.

The CHAIRMAN. Thank you, Admiral Watkins. General Wickham.

STATEMENT OF GEN. JOHN A. WICKHAM, JR., CHIEF OF STAFF OF THE ARMY

General WICKHAM. Thank you, Mr. Chairman. Following Jim, and putting my statement in the record, let me summarize. And I am talking straight from the heart as the Chief of Staff of the Army, speaking from my experience in talking with thousands of soldiers.

In 1973, the Congress mandated that we have a volunteer force. Given the risks and demands of military life, voluntary service by quality people can be achieved only with total, adequate compensation. The retirement benefit traditionally has been viewed as a form of deferred compensation; not a salary, but deferred compensation.

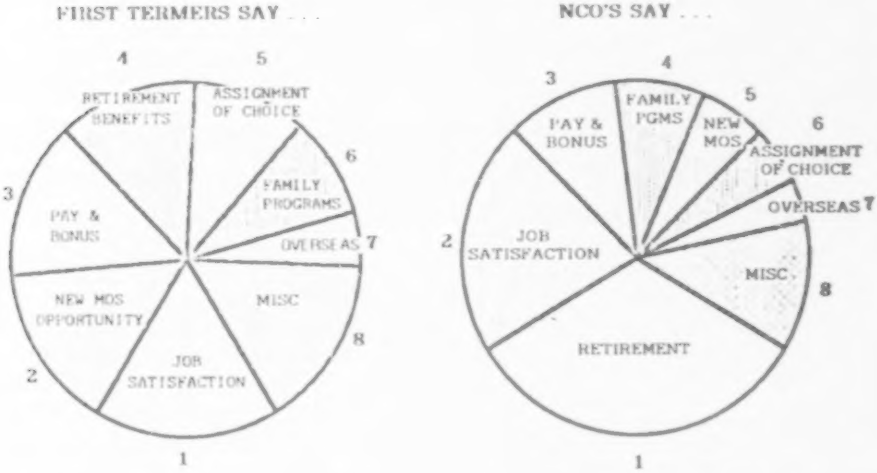
The value of the military retirement system already has been reduced significantly over the past several years as Admiral Watkins indicated. The armed services, particularly the Army, which continues to require special incentives to assure quality enlistments, will find it difficult to maintain this quality if further changes are made.

As a fundamental component of total compensation, retirement represents a return for services provided and serves as an important tool for shaping personnel career decisions. It helps to ensure that the Army's manpower objectives are attainable by maintaining young, vigorous, and mission ready forces. We cannot afford to have platoon sergeants that are in their mid-50s. They may take the first hill, but not the second.

Making the choice of a military career a reasonably competitive alternative is another area where we need to force decisions, as well as support of mobilization by our Reserve components. The benefits of potential savings must be weighed against the risk of diminished readiness as experienced personnel and first termers become reluctant to reenlist because of fundamental changes to their compensation package.

Just as with Admiral Watkins and I am sure with the other Chiefs here, as I travel around the Army and talk with thousands of our soldiers, leaders, and their family members, the retirement issue is the one most frequently raised. They voice despair over talk of potential retirement changes in the media and in the Congress, over breaking faith or reneging on promises made about the total compensation package, and over the Army's potential inability in the future to attract as well as retain quality volunteer soldiers. Let me have the first slide.

FACTORS WEIGHING MOST HEAVILY IN REENLISTMENT



I do not know whether you can see that, but it indicates that for the first term soldier job satisfaction is first, promotion opportunity second, pay third, and retirement fourth. Moving to the NCO for reenlistment, what is No. 1 is retirement. Look at the weight in terms of the surveys that we have had throughout the forces.

So it is clear that those that we serve, and those that serve the Nation, feel strongly about retirement and the implications of meddling with it. And in my humble opinion, grandfathering is no solution. Such an action would yield no near term savings. And, it would produce for many years to come two classes of soldiers, one with and one without, one with an inferior means of retirement.

We can hardly expect the more senior soldiers, although grandfathered, to cite continuity of retirement benefits as the major factor in urging younger more vigorous high quality soldiers to make a career of the Army.

Having seen a breach of faith in the retirement system, these older soldiers are likely to vote with their feet, because they sense that no benefits are secure. Now of course, it is difficult for all of us to predict the impact of changes to the current system, because there is no reliable data base, no model, no econometric model that will predict it.

The models that have been used in the fifth QRMC, and others, are simply models based on adjustments of enlistment bonuses, near term bonuses that do not deal with the long term savings or implications for change. So, we must recognize the general uncertainty surrounding forecasting and the high cost of being wrong by only a small amount.

Now, a related issue deals with the 20 year retirement option. Critics argue that this option is overly generous and leads to loss of experienced personnel. In fact, the average NCO in the Army leaves the service with about 22 years of service and roughly

$10,000 in retirement pay, which incidentally is at the poverty level for a family of four. No great largesse there.

Readiness of the Army, particularly the combat and field support forces depends on high quality soldiers and vigorous strong leadership at all levels. An attractive 20 year option, in my opinion, is absolutely essential to maintaining Army readiness. Such an option permits the leadership to remain relatively youthful and allows for separation of leaders who have not been selected for promotion, or who have tired of too much family separation and arduous service.

Admiral Watkins has already commented about the generosity debate over the retirement system. We believe that it is 1.2 to 1.5 times more generous than the average private retirement system, not the mythical six times.

I do not think that it is unreasonable that military retirement be somewhat more generous to induce individuals to accept the hardships and hazards of a military career. Soliders accept an unlimited liability contract when they enter the service which stays with them through their whole life. Everyone of us, when we retire, has hip pocket orders for mobilization. We are subject to the Uniform Code of Military Justice until we die.

And we also inherit all of the implications of retirement prohibitions because of the Ethics Act, as well as subjection to frequent family separation. In my case, four of my six overseas tours have been without my family. The repetitive overseas duty is often in dangerous locations such as the DMZ in Korea, or along the border in Germany, and our soldiers face hazards such as that tragically suffered by Major Nicholson in East Germany.

All of this calls for a total military compensation package that is fair. The cost of the current system reflects the cumulative effect of past decisions to maintain a standing Army following World War II and Korea. We are beginning now to see the impact of that.

Unless we are willing to break our commitments to current retirees by reducing the value of their benefits, there is no way to reduce significantly near term retirement costs; no way. Like the other items in the Army budget, military retirement is the cost of national defense. And with national security like everything else in life, you get what you pay for.

In my view, there is no way to buy adequate national security on the cheap, in equipment or in people programs. Therefore, Mr. Chairman and members of this committee, I am opposed as the Chief of Staff of the Army to changes in the current retirement system. Thank you.

[Statement of General Wickham follows:]

PREPARED STATEMENT OF GEN. JOHN A. WICKHAM, JR.

Mr. Chairman and members of the committee, although the military retirement system has been studied ten times over the past 35 years and it has been a topic of public debate in recent years, the Army appreciates this opportunity to present its perspective and insights. I will confine my remarks to the nondisability subsystem.

At the outset, it is important to note that the Congress in 1973 mandated an Armed Forces manned with volunteers. The important security missions entrusted to our service people and the first rate equipment being put in their hands require a force of high quality volunteers. Given the risks and demands of military life, voluntary service by quality people can be achieved only with adequate total compensation. The retirement benefit traditionally has been viewed as a form of deferred compensation. The value of the military retirement system already has been reduced significantly over the past several years. Therefore, to the extent that further major changes are made in the retirement benefits, the armed services, particularly the Army, which continues to require special incentives to assure quality enlistments, inevitably will find it difficult to maintain the current quality in enlistment and reenlistment, thereby jeopardizing the volunteer system.

The retirement system is a fundamental component of total compensation. As such, it represents payment for services provided and serves as an important force management tool by shaping personnel behavior. In that capacity, it supports national security by ensuring that the Army's manpower objectives are attainable. The current system accomplishes this goal in three ways: by maintaining young, vigorous and mission-ready forces by affecting the force profile; by making the choice of a military career a reasonably competitive alternative; and by supporting mobilization. Hence, any alternative that might be considered must be evaluated in terms of its ability to attract and retain quality personnel. The benefits of potential savings forecast by various alternatives must be weighed against the risk that readiness will be diminished through the loss of experienced personnel and the reluctance of first termers to become career soldiers resulting from a change in this fundamental element of their compensation package.

To illustrate the point about how retirement benefits help shape decisions about reenlistment, consider that for a first term soldier in his third year of service, these benefits account for 33 percent of the present value of his lifetime earnings, were the soldier to choose a military career. At ten years of service, this percentage rises to 37 percent. Thus, it is not surprising that 13 percent of first termers and more than 32 percent of careerists list the retirement system as the single most important factor in their reenlistment decisions. This makes retirement the most important reenlistment factor among careerists and the third most important factor among first termers. Therefore, it follows that reenlistment decisions will be affected by a change in the system; especially a change that significantly reduces the value of future benefits.

As I travel around the Army and talk with our soldiers, leaders, and family members, the retirement issue is the one most frequently raised. There is deep concern in the Army over talk of potential changes in retirement. This concern voices despair over "breaking faith" or reneging on promises made about the total compensation package, and apprehension about the Army's ability to attract as well as retain quality volunteer soldiers. Incidentally, "grandfathering" the current force is no solution, in my opinion. Such an action would yield no near-term savings. Moreover, it would produce, for many years to come, two classes of soldiers in the Army, those with the current retirement system and those with an inferior one. We can hardly expect the more senior soldiers, although grandfathered, to cite continuity of retirement benefits as a major factor in urging younger, high quality soldiers to make a career of the Army. Having seen a "breach of faith" on the retirement system, these soldiers are likely to "vote with their feet" because they may sense that no benefits are secure.

It is important to recognize here that behavior need only be affected modestly for the Army to suffer serious damage. For example, if continuation rates among Army careerists fell only 3 percent, we predict that the Army would lose 35,000 career NCO's, and its annual accession requirements would increase from 145,000 to 180,000 at a time when the prime recruiting market is shrinking. We estimate that even if we lowered our enlistment standards to the congressional floor of no more than 20 percent AFQT category IV, Army recruiting costs would rise by at least $72 million dollars. To maintain the Army's goal that between 59 and 63 percent of its accessions be in AFQT category I-IIIA would require an additional $1.1 billion dollars in recruiting resources.

If the merits of a proposed change to the retirement system are to be analyzed in terms of its impact on the force then that impact must be projected. Unfortunately, the reliability of projections is seriously affected by the fact that no historical data exists on which they may be based. Instead of information on how soldiers responded to past changes in their retirement system, extrapolations must be based on their sensitivity to bonuses and pay caps. The problem here is that a bonus change or pay cap amounts to less than a 1 percent change in lifetime earnings. That amount is insignificant in comparison to the effect of a substantial reduction in the value of military retirement. These problems are especially serious in light of the dramatic effect that small changes in the continuation rates have on the force profile. Thus, while projections are necessary for meaningful discussion of these issues, we must recognize the general uncertainty surrounding such forecasts and the high cost of being wrong by only a small amount.

The Army does not support the adoption of any of the alternatives proposed by the 5th QRMC because of the uncertainty regarding their ultimate effect on the career force and the shrinking prime recruiting market. While the 5th QRMC's analysis predicted that their proposals would have little effect on retention, sensitivity analysis conducted by the Army showed that modest changes in several of their assumptions would result in the prediction of much greater losses to the career force. Also, because they would not have resulted in near term reductions in outlays, adoption of any of their proposals would not contribute to deficit reduction during this decade. Therefore, the Army considered the risks to be unacceptably large at a time of tightening recruiting markets and deteriorating pay comparability.

A related issue deals with the 20-year retirement option. Critics argue that this option is overly generous and leads to loss of experienced personnel. In fact, the average NCO leaves the service with about 23 years of service and roughly $10,000 in retirement pay, which for a family of four is at the poverty level. Readiness of the Army, particularly the combatant and field support forces, depends on high quality soldiers and vigorous, strong leadership at all levels. An attractive 20-year retirement option is absolutely essential to maintaining Army readiness because such an option permits the leadership to remain relatively youthful, and allows for separation of leaders not selected for promotion or who have tired of too much family separation and arduous service. The Congress recognized the quality of leadership issue in passage of DOPMA which requires separation at various points in service of officers twice passed over for promotion. Therefore, any changes which would make the 20-year option less attractive could seriously affect the quality of the force and readiness.

Turning to the issue of the generosity of military retirement, let me reiterate the points made by Assistant Secretary Korb in his recent testimony before the Senate Armed Services Committee. When properly compared, military retirement is between 1.2 and 1.5 times more generous than the average private retirement system. It simply is not six times more generous as has been asserted by the Grace Commission. Furthermore, even if other elements of the compensation package were comparable to their civilian counterparts, it is not unreasonable nor unexpected that retirement be somewhat more generous to induce individuals to accept the hardships and hazards experienced during a military career. Soldiers accept an unlimited liability contract when they enter the service. Frequent family separation, repetitive overseas duty often in dangerous locations much as the DMZ in Korea or along the border in Germany, and hazards such as that tragically suffered by Major Arthur Nicholson in East Germany, call for fairness with the total military compensation package.

It is also important to recognize that the military retirement system is essentially a mature system. While there has been substantial growth in costs in recent years, 55 percent of that increase has been due to inflation. Of the remainder, 19 percent has been caused by an increase in the number of retirees, 21 percent has been caused by increases in basic pay and 5 percent resulted from adjustments to retired pay. Because the number of retirees has largely stabilized, future real growth will amount to about 1 percent of the DOD budget and should comprise a shrinking percentage of GNP.

The cost of the current system reflects the cumulative effect of past decisions to maintain a standing Armed Force following World War II and Korea. Unless we are willing to break our commitments to current retirees by reducing the value of their benefits, there is no way to reduce significantly near-term retirement costs. Like the other items in the Army budget, military retirement is a cost of national defense. With national security, like anything else in life, you get what you pay for! In my view, there is no way to buy adequate national security "on the cheap" in equipment or in people programs.

In summary, let me repeat several points: it is not possible to affect near-term deficits through the realization of significant immediate savings in retirement costs; the retirement system will not experience rapid future growth; serious personnel losses can occur from relatively small changes in continuation rates; such losses of experienced personnel inevitably will hurt readiness and could jeopardize the volunteer basis for manning the Army. Therefore, I am opposed to changes in the current retirement system which has successfully supported manpower policies for over 35 years.

The CHAIRMAN. Thank you, General Wickham. General Gabriel.

STATEMENT OF GEN. CHARLES A. GABRIEL, CHIEF OF STAFF OF THE AIR FORCE

General GABRIEL. Thank you, Mr. Chairman. I would like to say first of all that I am glad to be with you and other members of your committee this morning on this most important subject for the military. And let me first, Mr. Chairman, comment on a caution that you gave the chiefs about the next time that we look over our shoulders, you know, we not only see a career force out there, but we also see 100 million taxpayers.

Believe me, I think that I speak for all the chiefs when we recognize that responsibility. We are committed to protecting the investment that the 100 million taxpayers have made. And we are also committed, of course, to protecting our country. That is the reason we are here. And we sincerely mean that.

Let me just say that I agree with what the CNO and the Chief of Staff of the Army have said and I will not repeat any of it if I can help it. Let me summarize my comments by saying that it is obvious today to me and all of the senior leaders in the Air Force that we have the best peacetime Air Force we have and ever had for a number of reasons.

We think the All-Volunteer Force is working. It is working because we have quality people and quality weapons systems. We certainly need to get the maximum out of the big investment we have made in our force structure. The only way we can do that is with the best people. In respect to quality and quantity, we will never be able to match the size of the Soviet forces that we might be expected to go against.

We have to have better quality forces and better weapons. Believe me, today we do. The people make the difference. Today our people are smart. They are well trained, they are more experienced. Over the last 4 years, the first term retention rates have gone from 36 to 66 percent in 1983, when it was the highest ever. It is down to 62 percent now.

Those are very good levels. And we did not get there just by happenstance. We are there because of what you have done in compensation, and all of the things that we have done to attract these quality people into the military service.

The way we grow our middle level leaders is by retaining them. Today, 80 percent of the people beyond 4 years in the Air Force will stay until retirement. These are the people, with 8 to 10 years of service who will be of maximum advantage to the Air Force in our opinion. They are the ones we have to attract to stay to retirement.

And they are the ones who are staying today. They are staying I think primarily because of a lot of the actions that you have taken here in this committee in supporting increased readiness. Today, you will see when you go to the field that we have motivated and enthusiastic people out there. They are committed. They are committed because they have confidence. They are proficient. They know that they can do their jobs and accomplish their mission. That is important to them.

And they can do that because, as I said, you have supported us to improve readiness and to make what we have work more effectively.

I would like to repeat what the CNO and the Chief of the Army have said about retirement being the No. 1 issue for all the troops. I have been all over the world, and have talked to our troops. And believe me, they understand this—from the fild commanders down to the two stripers—to include their families. The retirement system is especially important to the wives and families because the service is a team effort. In fact, I believe the retirement system is more important than anything else in their minds. Everything else changes on a yearly basis, especially the pay and compensation. But our people can hang their hats on the 20- and 30-year retirements, and the multipliers in between. So this is very important to them.

I would hate to think what might happen if we see some drastic changes in the system. It seems to me the system is working well. I have not seen anything proposed that would be more cost effective than the system we have today, or that would serve us as well in trying to do our jobs and to meet the commitments we have to those 100 million taxpayers, and to be able to protect this country as we are charged.

Thank you, Mr. Chairman.

[Statement of General Gabriel follows:]

PREPARED STATEMENT OF GEN. CHARLES A. GABRIEL

Mister Chairman, members of the Committee. I'm pleased to be here to give you my view on what I believe is critical factor in retaining the experience people we must have to keep the Air Force strong and ready—the military retirement system. I want to give you my perception—speaking as a Service Chief and as a field commander who's seen first-hand how important the retirement system is for the morale and security of our people and their families and for overall readiness and warfighting capability.

The Air Force can accomplish its mission because we have well-trained, experienced, highly motivated people to operate and maintain our weapon systems. Our ability to get the mission done and to maintain an effective deterrent force depends on recruiting and retaining high quality men and women in sufficient numbers to provide an experienced and combat ready force. Retaining our experienced people takes a combination of personal commitment from them and a strong commitment to them on our part. A fair, consistent entitlement package, not subject to constant erosion, is a key part of our commitment to our people. The military retirement system has been and must remain the cornerstone of this entitlement package.

While there is no private sector situation that compares with military service, private sector experience does demonstrate the linkage between security and job performance. Corporations providing high levels of job and future security—companies whose commitment to their people is apparent—enjoy the benefits of the most productive people. They know that to remain competitive they must keep a talented and effective work force. The best way to do this is to provide adequately for people with unquestioned commitments to their security and prosperity.

By its nature, the military can't guarantee many of the things available in the private sector such as stability, a pleasant work environment, and a personal voice in decisions affecting terms of employment. The Air Force operates worldwide in support of global commitments—on frozen flightlines in sub-freezing weather, in 120°+ desert conditions, and on mountain tops at isolated radar sites. Our people fly high performance aircraft, work with toxic fuels and propellants, and handle high explosives. Our administrative and support people also have wartime jobs that will make them a part of the combat zone because we will fight from our bases.

Our people are uprooted, often with short notice, and frequently deployed far from home and family. They also face the unconditional liability of giving their lives for their country. They do these things willingly, with high morale, discipline, and combat effectiveness under adverse and demanding conditions. They accept abridgement of freedom of speech and organizational activity, and voluntarily surrender many of the personal freedoms they serve to protect—freedoms most Americans take for granted.

Volunteering to accept these conditions of service requires a commitment on the part of the nation and on the part of the people who choose to serve their country in the Air Force. Air force people could easily choose other career opportunities. They have the talent and drive to succeed in the private sector. But we work hard to keep them on board and to persuade them not to market their talents to the highest bidders who can and do offer up-front financial incentives that we can't match.

We counter by providing as much job satisfaction as we can and by working to ensure a secure, consistent set of rewards and entitlements. Our studies and surveys show that military members consider the military retirement system to be their single most important entitlement. The military retirement system is a major contributor to our ability to keep experienced mid-level NCOs and officers at a time in their careers when potential earning power in the private sector is considerably higher than what we can pay them. We know the retirement system exerts a strong career retention incentive. While it is true that only 13% of those who enter the service stay to retirement age, 80% of the experienced people is our career force stay with us unitl they can retire. All of our survey data repeatedly confirm that retirement is the primary reason those people choose to make the Air Force a career. Our surveys also unmistakingly tell us that tinkering with the system will drive many of these people to seek a better and more secure future just at the time when those people are most productive for us. It is absolutely clear to me that tampering with retirement is a recipe for heightened dissatisfaction and lower morale. It will degrade our readiness and warfighting capability and hence our ability to deter war.

On my visits to the field, the most frequently raised concern, not just by senior people, but by junior non-commissioned officers and airmen, is about the stability of the retirement system. Air Force members expect this entitlement will remain intact for them. It is the one thing that they can hang their hats on. Everything else seems to change. Benefits and entitlements are eroded, but retirement at the 20 and 30 year phase points remains an anchor in a sea of change. We have a moral obligation to honor the commitments made to our people when they voluntarily elected a military career. Failure to do so would be inequitable, immoral, and ruinous to Air Force readiness.

Many seem to forget that the retirement system has already been changed. Reductions enacted since 1980 will reduce the retired pay for future retirees by 15-20 percent. It is still too early to tell what the retention and readiness impacts of these changes will be, but they have raised considerably the anxiety of those serving. Further reductions in the value of retired pay will erode the system as a viable retention incentive—with the inevitable outcome being that we will be unable to keep the talented people we need. Experience levels will decline, high quality people will follow civilian alternatives, and the Air Force will be left with a less capable, less ready force to execute a more demanding mission.

Then there is the issue of savings to the taxpayer. It's not clear that any savings would be realized by changing the retirement system, considering the high costs for replacing skilled people. Costs are high and lead times are long. For example, we would need 6 recruits to "grow" a replacement for a master sergeant with 13 years of experience. If we lose an F-16 pilot with 8 years of experience and 1,700 flying hours, it will take us 1½ years to replace him with a new lieutenant who has only 275 hours and no experience in overseas theaters of operation. It will be years before the new lieutenant can use that F-16 to take advantage of combat potential paid for when we bought that airplane. And it would cost $1.6M to train him just to the relatively novice state.

The cost of retirement today is the result of past national decisions to fight in World War II, Korea, and Vietnam, and to maintain a large standing "peacetime" armed force. Half of the real (after inflation) growth in retirement costs is due to the rapid escalation in the number of retirees over the past two decades. This rapid growth will diminish significantly in the years ahead as the system matures and the numbers added to the rolls level off. Per capita costs have begun to decline. Since 1980, the real cost per retiree has fallen 2 percent. In its 1983 assessment of the military retirement system, the General Accounting Office determined that cost savings alone was not a valid basis for changing the retirement system.

Justifying a change based on today's favorable recruiting and retention climate would also be a mistake because today's conditions won't last. We've already begun to drop off from the retention highs of 1983. The supply of quality youth is declining and the economy continues to improve. The Air Force can't afford another return to the dark days of the late 1970's when we lost hundreds of thousands of man-years of experience.

Over the years, the current retirement system has served the unique requirements of the military well. It is inappropriate to compare it with private sector programs—programs whose purposes are radically different. The military retirement system is not an old age pension system—its purpose is readiness. It gives our field commanders the right people to carry out their missions—it ensures they aren't forced to do their jobs with underexperienced airmen or aging NCOs or officers. They need a blend of youth and experience, and the retirement system provides that. It is simply not feasible to keep large numbers of military people on active duty until the typical private-sector retirement age of 62 or 65. The lifestyle and hardships of military service, combined with the need for the motivation that comes only from promotion opportunity and advancement, preclude such a system.

It is only natural that our retirees who earn, on the average, less than $1000 a month in retired pay must seek a second career to meet the expenses of feeding, housing, and educating their families. Enlisted retirees, after accounting for both their retirement pay and a second career, earn about the same as the median of comparably educated and aged civilians. This income is far from lavish for those who have served 20 or more years in an often dangerous environment, enduring the turbulence caused by numerous family separations, long hours without overtime pay, and seven or eight geographic transfers for which they were inadequately compensated.

The retirement system is doing exactly what it was designed to do—it's helping provide our country the best defense ever. It will remain effective so long as it remains stable, provides our people and their families the entitlement they have earned, and fulfills the commitment made to them in return for the sacrifices they selflessly make for our country. Preserving the military retirement system is vital if we are to maintain military forces capable of meeting our defense responsibilities. Your Air Force is the best ever and the retirement system is a major contributor to keeping the people on board who make it the best.

The Chairman. Thank you, General Gabriel, General Kelley.

STATEMENT OF GEN. P.X. KELLEY, COMMANDANT OF THE MARINE CORPS

General KELLEY. Thank you, Mr. Chairman. As a footnote before I start, being a Villanova graduate, sir, this is a great day. I hope that I am as successful before this committee as my alma mater was last night.

The CHAIRMAN. With the chairman anyway, it would be a big upset.

General KELLEY. We have worked against great odds before, Mr. Chairman, but in all sincerity, this may well be the most important or my most important appearance before this very distinguished committee.

I think that all of us fully realize the budgetary and economic reasons why we have to take a look at all aspects of our military compensation system. And I, for one, fully realize that on a per capita basis every man, woman, and child in our country gives some $1,200 to national defense, and a good percentage of this goes for manpower costs, but I submit that this may be the price that we have to pay for freedom.

With that said, the current retirement system is both logical and sound. And I, too, would oppose any change. We should not start with the presumption that the current system is flawed or overly generous. It is not. We should start with a concept that a military career is a dignified, respectable, and honorable profession.

When military compensation does not meet the objectives of national security, then this Republic is going to be in serious trouble.

In considering a retirement package, the Nation must also remember that a commitment to military service demands relinquishment of control over the exposures to the risks and hazards of combat, and relocation often involving family separation.

In my particular case, and the Chief of Staff of the Army stated in his, for the first 40 of the 48 months of my married life, I was away from my family. Moving into this job was my 35th move in 34 years.

Uncompensated overtime, exposures to the hazards of field duty, and subjection to the Uniform Code of Military Justice.

In the words of a very distinguished American, Hon. Norman Augustine, in talking about how you recruit quality people, Norm could not quite imagine that you would generate much enthusiasm by saying to a potential recruit and I quote:

> Now this job that I would like you to take will require you to be on call 24 hours a day, 365 days a year. You will be expected to pick up and move every three years to anywhere in the world that you are told, and frequently you will be unable to bring your family with you. Often your family will be required to live in substandard, 40-year-old, temporary housing. And by the way, I can almost guarantee that if you spend your entire career with us, you will at some point be placed in a position where you will be shot at by some people intent upon terminating your life.

In summary, Mr. Chairman, we have a sound system, one which should not be distorted or disturbed without a full realization of the dire consequences to the security of our Nation. Thank you, sir.

[Statement of General Kelley follows:]

PREPARED STATEMENT OF GEN. P.X. KELLEY

Mr. Chairman, distinguished members of the subcommittee, it is a privilege for me to appear before this subcommittee to present my views regarding the military retirement system, specifically why our current system should not be changed.

The Marine Corps, as well as our sister Services, has as a part of its manpower system a characteristic that in my judgment is the single most compelling reason for a retirement system similar to what we now have. We can only bring in young men and women, and we can only get the experienced leaders we need, by keeping those men and women for many years until they mature and gain experience. We don't have the luxury of a manpower system of supply and demand that exists almost everywhere else, where qualified, experienced individuals move freely among employers and between the private and the public sectors. As a result, when we lose an experienced Marine, it takes many years and hundreds of thousands of dollars to replace him. We have to recruit four or five Marines, train all of them, wait four years to see which one has the talent and desire to progress and reenlist, then wait another four years or so until he has matured and learned his job to the level of that Marine who left us 8 years ago. So retention is all-important, and the retirement system is one of the most, powerful incentives for retention.

The military retirement system, in other words, is primarily effective in helping to shape our force—that is, to retain experienced Marines. Our current system has proven to be a powerful career incentive.

My support for retraining the current military retirement system stems from the most recent analysis of our system conducted by the 5th Quadrennial Review of Military Compensation (5th QRMC). That study was a significant contribution in allowing us to understand the importance of the current system and the effect any alternative system would have on each of the Services.

From a Marine Corps prospective, the 5th QRMC has shown that any reduction in the retirement benefit without some form of counteracting compensation will reduce our career force, increase accession requirements, and reduce mission readiness.

I believe any such reductions in our career force are a legitimate concern for the security of our Nation. Our analysis of the four alternatives found in the 5th QRMC report shows that projected losses in the career force, without some form of counteracting compensation, would reduce our officer/enlisted career force as follows:

QRMC alternative	Career force of 5-30 YOS losses	
	Officer	Enlisted
Reduced cost-of-living allowance (COLA)	–517	–8,547
Reduced multiplier	–757	–10,880
Reduced early benefit	–318	–7,476
Combination (COLA and reduced early benefit)	–453	–9,692

The Marine Corps cannot afford such a loss in its career force. We are only now beginning to cut through the force mix problems we experienced in the 1970's when our qualified pool of experienced noncommissioned officers and aviators left the Corps. Career force losses can be replaced only by new entry level accessions.

My support of the current retirement system was confirmed by the projected results of changing the military retirement system found in the 5th QRMC report. This does not mean, however, that I am opposed to change. Proposed changes to the military retirement system should be viewed within the context of the impact on all aspects of the active force to include accession, retention, and readiness. We believe that, while the dollar outlays required now and projected for the future costs of retirement are important, the more significant considerations are the size, composition, and quality of tomorrow's Marine Corps.

The Marine Corps today is the most combat ready force to have carried the title Marine. It is a force composed of educated, patriotic, quality officers and enlisted Marines believed impossible to achieve not too many years ago. Our success is due in no small measure to the wisdom and past guidance of the Armed Services and Appropriations Committees in particular, and the Congress in general. Our current force of combat ready Marines is a product of long-term planning and constant supervision. Within the compensation mosaic, the military retirement system has been the one stablizing factor and has been an essential force in shaping today's Marine Corps. The retirement system is working. I believe retention of the current system is in our best interest because of its contribution toward the fulfillment of our national security objectives, to do less would be to abandon the heritage passed to us by our forebearers!

Therefore, saving retirement dollars under an assumption that annual modifications to the amount and types of active duty compensation will be used to fine tune the system and prevent sudden and seriously damaging losses of military personnel is probably unwise when evaluating our career force requirements. This is expecially true for the Marine Corps. Marines get most of their satisfaction from a shared sense of responsibility, from dedication to fellow Marines, and from serving in ready combat units with superb morale. If you will, our satisfaction comes mostly from the realization of our institutional values. Our career force perpetuates the institution, and to some extent compensation keeps it in balance. And, as with an efficient machine, adjustments to the elements of compensation—particularly the key, stable element of retired pay—should be made only after the most careful consideration of the effect of those adjustments on the character of the institution.

An additional concern associated with the potential losses in the career force deals with "quality." As I have previously reported, today's Marine Corps has the highest quality I have seen in my 35 years of service as a Marine officer. Current projections are that the future ability to recruit and retain the quality and quantity needed for mission accomplishment will be constrained by the reduced number of young males and an upswing in the economy. If that ability is further hampered by changes in the retirement system that reduce the attractiveness of a career in the Marine Corps, our quality manning objectives will be more difficult or almost impossible to attain.

The CHAIRMAN. Thank you, General Kelly, and I thank all of you very much for coming here and talking about some real concerns about changing the retirement system. I think that you have articulated them, and I think you stated them very well. And I indeed believe that the issues that you raise are ones that are of concern, and the ones that we must carefully consider.

It does strike me, though, that there has been, I think, nine different studies of the military retirement system in the Pentagon, in the services, and in other places—and all of them have recommended a change—and the remarkable thing is—given the length of time we are talking about and the changing conditions over those periods—the consistency of those recommendations.

I mean, every single one of those nine proposals or studies have recommended less pay after 20 years and more pay after 30 years to encourage a longer career. I think every one of them has recommended something for people who separate before 20 years, giving them some kind of a deferred compensation, but some kind of an earlier vesting period. I think every single one of them has recommended integrating Social Security with retired pay when that comes in at the appropriate age.

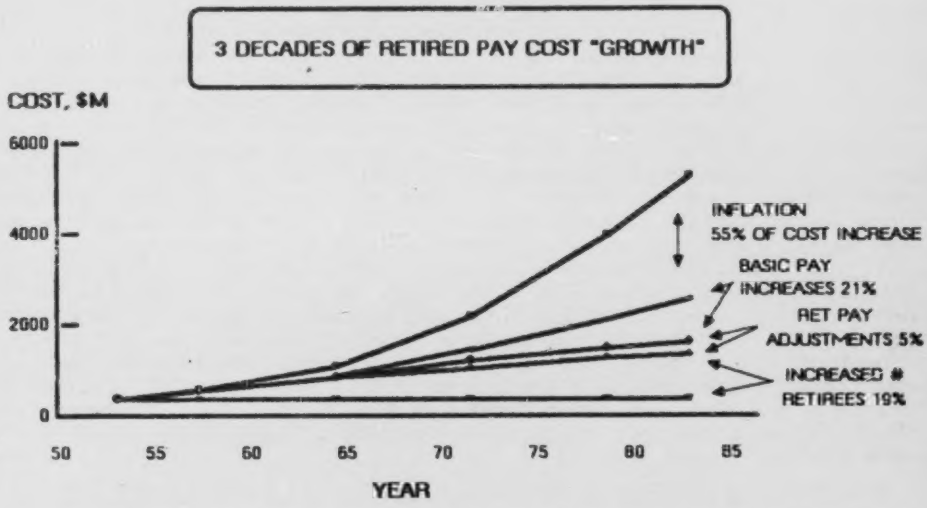
And it seems to me that these people, a number of these people that have done these studies, and all of these studies have been done, all of them have taken into account the very concerns that you have raised. A number of them were done with people in uniform on the board or actually leading the studies. I mean, it seems to me that we can come up with some changes in this system that will in effect help us save some money in the system and yet at least be consistent or not inconsistent with the concerns that you raised.

These studies were done by honorable men, a number of them people in uniform. Why can't we institute some of those reforms?

General WICKHAM. May I take a crack at that, sir?

The CHAIRMAN. Sure, sure.

THE PROBLEM



- ALMOST ALL OF THE COST INCREASE IS DUE TO INFLATION & FORCE GROWTH
- THERE IS NO INEXPENSIVE WAY TO MAINTAIN LARGE STANDING ARMY

General WICKHAM. Let me have chart No. 1, please.

The problem—you came in here as a Member of Congress, sir, in 1972, as I recollect, 1971, thereabouts—that is where the problem existed at that time.

This, incidentally, indicates the level of retirees. There has been an increase of about 19 percent since that period.

This is for pay adjustments, basic pay increases.

This is inflation. The growth of the problem since you came into the Congress, Mr. Chairman, has been largely inflationary.

Now, why do studies go after that? Because the pay area, retirement area, is less painful than going after weapon systems, which are filled with constituencies. There is very little constituency in terms of retirement. So it seems to be that the focus tends to be on this kind of a thing, and the attempt, therefore, would be to try to drive down retirement initial payments and try to pay it in later years.

I am not sure that there is any economic benefit to be derived from that.

The CHAIRMAN. Any other comments on it?

Admiral Watkins?

Admiral WATKINS. I think, Mr. Chairman, in addition to what the Chief of Staff of the Army says, the variety of actions taken since 1980 alone have degraded the lifestream earnings of the existing laws on retirement by 15 to 20 percent. This is what our people see. You mentioned some earlier. I could list them all and list for you their dollar-related savings.

But just high-three averaging a high-five averaging as the Grace Commission proposes, would eventuate in about 20,000 people leaving the Navy over the next 8 or 9 years. We cannot tolerate that sort of thing.

Lifestream earnings are important to our people. We have already degraded it, so things have changed since the QRMC. I was involved in every QRMC from the outset. The flaws in them usually are in the fact that nobody knows how to implement them because there never seems to be any consensus on a total compensation adjustment where the puts and takes are sufficient to balance out and produce an equitable system.

What happens is that people focus on certain elements of the total compensation equation only, such as retirement. Now, because of new ways for DOD to account for military retirement made in October of 1984, Defense instead of Veterans' Administration pays for it in a different way by annual prepaid contribution to the retirement fund. Military retirement now is exposed as a visible budget line item so that the press and others can find it easier to attack it. But it is the same system we have had for years, and has served us well.

My feeling is that we have reached the point where we better be very cautious before we get into this on bag total compensation issues and work on retirement alone. I agree with you that it has to be a total compensation package, but my experience has been nobody knows how to get there from here, because we will not address it that way. We will only address it in pieces, such as retirement; or we will address it in terms of bonuses; or we will selectively adjust base pay or we will not adjust base pay—all piecemeal.

The very fact that you see only modest base pay adjustments recently, albeit larger increases were enjoyed in the early 1970's to affect the All Volunteer Force issue, reflects a hidden degradation in the lifestream earnings that it represents against the retirement base. Because base pay is the only basis on which retirement percentages now operate.

We are getting to the point now, for example, in the case of some of our high skill people, where about 60 percent of their pay is really in allowances, bonuses, submarine pay, special duty assignment pay, career sea pay, and other special and incentives pays that we have had to throw into the system to make it work because of base pay inadequacies.

We are pleading with you all not to change our system right now, because we think we are on the fragile edge. The Army and the Navy are beginning to see the first signs of extreme difficulty in the recruiting area. We are beginning to see the down turn in retention at the very time when the Nation has said we must grow and strengthen our defenses. We are seeing bills on Capitol Hill to reduce manpower. We do not know how to do that to the extent that is proposed and run an efficient military.

All these things coming at the same time seem to be taking us back into the seventies, when every time we were looking for outlay dollar reductions, we went after people. As the Chief of Staff of the Army says, there is not any constituency for our manpower and our people out there.

It is an easy thing to hit. It represents immediate dollar outlay. But we suffered severely in the last decade from lack of proper treatment of our people, and we saw the hemorrhage of talent to the point where we could not get ships safely underway. I do not think this is what the Nation wants to do to its military people anymore. I am talking about a mass exodus of people in the 1970's at the 9th, 10th, 11th, and 12th year points, which we had not seen since World War II.

My belief is that the retirement draw is not adequate alone, that everything else must stay fairly constant now. We are on the fragile edge again, having allowed the various pay caps to occur, so that we are not maintaining the value of the base, against which retirement is computed. We had better be very careful before we change the guts of the career force management scheme.

The CHAIRMAN. Thank you.

Anyone else? Do not feel obligated to answer unless you have something to add. OK.

Bud Hillis.

Mr. HILLIS. Thank you, Mr. Chairman. My questions will be brief.

I followed your comments, Admiral, with great interest, and I know of your background in the personnel area for many years, but as I recall the period of hemorrhaging that you are talking about in the, oh, just the late seventies, and the fact that you were losing chief petty officers and enlisted people of 8, 10 years, Congress addressed that with a pay raise, not a change in retirement, and that seemed to cure the situation for the time.

It seemed that the draw of retirement you speak to was being totally overlooked by those people. They were interested in, because of the inflationary cycle, their take-home pay for that—at that time.

Are you sure that that has changed? In other words, if we cap current pay but leave retirement alone, will you not see some of the same thing? Would we not be better off to pay people today? Is that not what they care about as much as they do——

Admiral WATKINS. Mr. Hillis, I do not think it is an either/or situation. You cannot say what would I rather do, cap one and keep the other. The two are directly related to each other.

When we made those adjustments we also made significant adjustments to lifestream earnings for the retirement calculation. That was a very big part of the career force decisionmaking at the time. We had to provide our people the impact of what those pay raises meant in terms of retirement caring streams in order to keep that career force from coming apart, as it was beginning to come apart in those periods.

Base pay adjustment and lifestream earnings are directly related. I do not think we can say that just because you raised base pay that they stayed in. Obviously, that was very important, but the retirement calculations are on base pay, and therefore lifestream earnings for retirement were clearly in view of the person at the 10-year point.

You know, it was only 20 years ago that we could almost do anything to our sailors after the 10-year point and they would stay with us. Keep them at sea and do most anything to them, but we could get away with it in those days because the retirement draw was significant.

We saw in the seventies that the attraction was sufficient and we had put into effect the most massive set of changes to benefit our people that we have ever seen. I am all for those changes. We never want to lose that. However, even with these changes, we still could not keep them in.

I am merely saying I see a move here that would take us back into the mentality of the seventies, that I think would be devastating now at the very time when the No. 1 readiness issue is people.

The article in the paper this morning, in one of our great newspapers here locally, made the statement, "What do you want, defense or do you want this retirement?" as though the two are not directly related. Everything we have seen in the past few years has been an improvement in readiness because of the career force strengthening, not because of the All Volunteer Force. We have been able to retain the experience and have less corrective maintenance. We do not have to sailor-proof the equipment as much. We have it work right in the first place and we can run our weapon systems right. That is the experience we need.

What we are telling you is that the people in the field are stating that they are going to leave if they cannot count on some sort of an estate-building feature after eliminating the guts of their life, the 23 years in the middle of their life, that they have to take out, and then start estate building at age 43 for a sailor and age 46 for an officer.

Mr. HILLIS. Another area I would like to broach with all of you is that generally changes to the retirement system are evaluated by comparing the shape of the force before and maybe after the change, but I would like to ask, in your opinion, as we go forth from here, what do you see in the force of the future? In other words, we are certainly not going to step backward as far as technology is concerned, and will we not need an even more competent armed services 10, 20 years from today, where greater technology will mean a whole different type of career out there?

Do any of you have a crystal ball that you would like to comment on that?

HIGH TECH EFFECT ON PERSONNEL

General **Gabriel**. Yes, sir, I would like to comment.

Certainly in the Air Force, that is going to be true. When you see ahead of us the high tech we are going to be dealing with that we are already dealing with, it becomes more and more important to be able to keep the edge over the other side. That is where the edge is, as I mentioned, with our people and our high technology. We are going to have to keep those people with their skills in order to be able to get the maximum advantage out of our high tech. I think it is becoming more and more obvious that this is the way of the future.

And you have got to keep them beyond the 8- and 10-year level that I mentioned, the midlevel leaders that we have. This is one reason I disagree with the idea of vesting. I think vesting would be a negative retention incentive, just at the time when our people reach their peak proficiency and when they and their families are making their decisions to go for 20 or get out. This, coupled with considerations of what they could do with their marketable skills, could offer an attractive opportunity to leave the services.

TANK CREW PERFORMANCE

	M60		M1	
CREW TSC	KILLS	%INCR RELATIVE CAT IV	KILLS	%INCR RELATIVE CAT IV
I	10.23	75.2	12.75	18.9
II	9.51	62.8	12.47	16.3
IIIA	8.52	45.9	12.05	12.4
IIIB	7.47	27.9	11.57	7.9
IV	5.84	–	10.72	–

IIIA CREW ON M1 PERFORMS 41% BETTER THAN IIIA CREW ON M60

General Wickham. If I can just pick up on that, Mr. Hillis.

Let me have a slide here, please.

To make the point crystal clear, we need quality people in the future just the way we do now. This shows the result of tank crew proficiency training and how effective higher quality people are in relation to proficiency.

These are the mental categories, test score categories, category 1, 2, 3, and 3-A and 4, we take very few of the lower categories in the Army now. You can see that a tank crew made up of category 1 soldiers is 75 percent more proficient than category 4. It is important that we capitalize, we optimize on the quality equipment with quality people in the turrets.

And the same thing is true with air defense. The M-1 tank is a similar thing, although the M-1 tank is user friendly and therefore we can make better use of category 4 people. You can see that it is only 18 to 20 percent better.

Better equipment makes for better forces, and better people optimize the equipment. So we are looking for continued quality in the future. And that is what we are getting at here. If we are going to retain that quality as noncommissioned officers, at the point they begin to think about staying in, retirement becomes important to them.

Also, of course, pay is a factor, as Admiral Watkins indicated.

Admiral Watkins. I would like to just add to that, Mr. Hillis.

The Congress has admonished us to reduce the manpower requirements on our ships. We have done that. Instead of cruisers having 1,100 men, they now have 380. But in doing that we have gone from about 40 percent top petty officers, what we call the top five petty officers, E-5 to E-9, to now about two thirds top petty officers. We have had to increase the quality of the mix in order to accept a one-third, or two-thirds reduction in numbers.

When we talk about high technology, we are talking about the people who are in greatest demand in the private sector. This is why we are going for a richer mix, but smaller numbers per unit. We can no longer take people off the street and the park benches and put them into an Aegis weapon system. Every sailor now going aboard our ships to man a weapons system must go through school. Once we had some nondesignated seamen but that is not the case anymore. We are building a richer petty officer mix and that is why we are so concerned about taking away our No. 1 management tool, which is the only management tool, other than health care benefits, that we have for the career force.

The CHAIRMAN. Sonny Montgomery.

Mr. MONTGOMERY. Thank you, Mr. Chairman.

Let me repeat again, it is certainly not the intention of this subcommittee as far as I can tell to make any changes in the retirement system that the military is now operating under, and I just do not see any concern for the 10 or 13 years of a person who has been in the service, or even those that come in now, but we have got to have some information to work on, and I think in this subcommittee that all of us are strong supporters of the military. We might do it in different ways, in approaching different areas, but we are all strong supporters.

But that danger is out there to the military retirement system, and we need your help. We need some suggestions which, I am a little concerned, are not coming from you this morning. Most of us are your friends, but there are groups out there that will come forward tomorrow and will tell us about some changes, and we need to have a feel from you, because you are the ones that run the services, and you are the keys to it.

Such as, I have been hearing for years from people, just civilians, concerned about how you can get out of the military service after 20 years. I know where you are coming from, and the ideas that you need younger people, but we are all living longer and have better lives, and we need some suggestions on the 20-year area.

So, individually, can you make some suggestions in the 2 or 3 minutes that I have left of what we might possibly do? There are other groups that are going to come in here, going to make suggestions, but, in my opinion, you just cannot be locked in that we are not going to do anything for the future retirement system of the military.

General WICKHAM. Mr. Montgomery, I think you have heard from the heart of these four officers how we feel about the retirement system. I understand there are people that would want to change it.

We have no predictive models that will tell us what the future would be if we change military retirement. If we are going to grandfather all retirees and grandfather those who have a number of years of service, there are going to be no near-term savings, and we are going to have a population in the future with two kinds of standards. I do not think any one of us here would want to hazard a guess as to what that would mean in terms of our ability to attract and retain quality noncommissioned officers in the future.

My guess is that if there are substantial changes in the 20-year retirement system, your successors sitting in this room, and our successors sitting here are going to see a far different Armed Forces than we have today. And my guess is it is going to be inferior.

Mr. MONTGOMERY. That is what we want to hear.

Anyone else have a comment?

General GABRIEL. I would just like to say that I guess we have not done a very good job of educating the public and the press on the retirement system that we have today and what it stands for and what it really is. I do not think what we have now is unreasonable in terms of the average retiree. I think you have been told it is unreasonable, but the average retiree is a master sergeant at the 23-year level and he is drawing about $11,800. This is almost below the poverty level. He has had seven or eight moves which is a little less often that the current commandant. Also, approximately two out of three retirees have drawn hostile fire pay; 85 percent of those who reach retirement.

I do not think, when you look at it like that, that air people are overpayed. I have seen many reports that say differently because they say our people are paid much more than that. Even with second-career earnings included, our people are only at the medium total income level for their civilian peers who are similarly educated.

By the way, 75 percent of the retired are enlisted. I believe there are lots of myths out there about what retirement really does for us. I really cannot see changing the present 20-year retirement system. That is the one peg point that, as I told you, our people hang their hats on. If that is changed in any great way, I believe it is going to have a severe impact on the troops.

Mr. MONTGOMERY. My time is up, but let me point out that this subcommittee and the Armed Services Committee certainly try to work with the chiefs. I know a year or two ago, especially you, Admiral Watkins, were saying on the Vietnam GI Education Act, if it was not extended to 1989, that a large part of the service personnel would get out.

And we, under the new GI bill, we did extend it. In fact it is a better program now than it ever was. We increased the monthly educational benefit after 1989. So we are trying to work with you, and we are trying to give you incentives where we can.

So we will just have to take a hard look at this retirement system.

Admiral WATKINS. If I may, Mr. Chairman, I wish to just point one thing out to Congressman Montgomery.

During all of the quadrennial reviews it became very apparent to me that one of the only ways that I think you can effect change in a sensitive area such as total life compensation for people in the middle of their careers in the military, is to develop a package that accomplishes whatever reasonable fiscal objectives you have, but encompasses the total compensation area. Let us say you decide to grandfather everybody from the 8 or 10 year point on, and to give all those who have less than 8 or 10 years an option to pick a new system where some of the attractive features are moved up front and not so long-range as retirement. Some people may opt for that.

Now, if you have a reasonable transition to a new compensation system, where an alternative package is picked and you allow 10 years for it to work and people make the choice, I think you will get a 50-50 response. Then you can transition to something different.

However, what we are talking about here is focusing on one element of the equation and attacking it out of context with everything else. This is what is wrong with this approach. We know this committee has not taken a position in this attack one way or the other. But we are surrounded by people who are firing shots, and the apprehensions are extremely high out there among our careerists.

I believe that the approach that this committee should take is to explore a total compensation package which is perhaps radically different and would be open to those in the first 10 years of service, or something like that. That concept, if it is successful, can be the plan for all of those new entrants so that the service chiefs in the future can carry our their responsibilities to manage the career force.

We are very, very concerned about this issue. You heard our position today. Maybe 5 years ago we would have made some other statement that perhaps there could have been a COLA adjustment or something like that. But you have already taken that action. So we have already piecemealed it and we have degraded it by 15 to 20 percent, and we are now at the shaky edge of control, in my opinion.

The CHAIRMAN. Pat Schroeder.

Mrs. SCHROEDER. Thank you, Mr. Chairman, and I would like to carry on with this discussion because, as I listen to your testimony from a personnel standpoint, one of the things that came across to me as unfair, and I think you would agree is unfair, is when we keep talking about we cannot touch retirement because it is delayed compensation.

We are honestly admitting we are not paying people adequately, and I think most of you alluded to that, for their moves and so forth and so on. They are not getting paid nearly what they got paid for a move if they worked for the civilian sector, that is, under the same flag, they get paid much more for a move.

So that people are subsidizing their own moves, they are subsidizing all sorts of things. In fact, I had a bill in that General Wickham knows a lot about to try and upgrade that. We just found out that they said that if we paid everybody what they pay them in the civilian sector of this government, and they only moved half as much as they were allowed, it would cost $2.3 billion, which really means the servicemen today are subsidizing the Federal Government to the tune of, you know, $2.3 billion to move around, if you had any kind of reasonable reimbursement.

But, you see, what worries me is we are talking about that as delayed compensation and yet a very small percentage of people in the service ever get it. I mean, it is still 10 to 15 percent ever get the retirement.

So I was very pleased, Admiral, when I heard you talking about looking at the total compensation package, because I think to be fair we have to talk about what do we do to make sure that people are fairly compensated as they go along rather than the only alternative to ever recoup the things that you are having to do out of pocket and everything else is to wait long enough to get your retirement at the end.

Do you see what I am trying to say? I mean, does that not concern you? I must, because I heard it in every single one of your testimony, and so maybe we are asking you to relate to too small a part.

Admiral **Watkins**. I understand what you are saying, Mrs. Schroeder, and this is what I pointed out earlier. But I think unless all elements, including the various benefits you outlined, are addressed, we cannot say that, we will solve your problem on moves and raise the reimbursement to so much for each move and that sort of thing and therefore your problem goes away. Nothing is that simple in our business. I believe what we are talking about here is an inability to amass any sort of an estate as you approach the mid-life point at age 43 to 46 for the average of our people who leave us, and expect them to pick up and start all over again.

I have no estate. So when I get out, I will be ridiculed for drawing a large salary while I still have retirement, so I can pay off the bills for six children going to college. None of us have the kind of money to build estates as we stay in the military. We are not in it to make money. But we want to be reasonable citizens when we leave and go into the private sector with our heads high. Cutting retirement would drag us down to some level that would drive mediocrity into our career force.

Mrs. **Schroeder**. No; I——

Admiral **Watkins**. That is the whole issue.

Mrs. **Schroeder**. Sure, and I understand that.

I think we have two things that we have to look at. No. 1, what is a reasonable retirement age as we project toward the future, because I think with high technology moving in, clearly people are not going to be—I mean, they are going to be very useful to us way beyond the age of 40, I hope, sitting here at the age of 40. But you are not going to say, that is it, it is all over, you know, you are absolutely no longer vigorous and so forth and so on.

But I think that we all see those trends happening, and of course, in the private sector we see that happening, too, where the pilots are coming in and wanting us to lift the mandatory retirement and so forth and so on.

So one thing that we should be looking at is that, and the other thing that maybe we should ask you to look at is what is a fair total compensation package, because right now because we do not fairly compensate people, a lot of people with large families get out before they even get close to retirement—or, with families, not even large families, just regular families that wear tennis shoes. My heavens, they cost so much anymore that I do not know if you can be in the military and buy kids the tennis shoes they want to wear.

But maybe they get out before that, so they never got the compensation that was adequate at all. In other words, I think we are not looking at the biggest picture, and that is where will we be 10 years from now, what are we looking at, and is 20 years still reasonable?

Now, it is probably still reasonable for people who are in hard combat that General Wickham talked about, that are getting over the hill. On the other hand, there are many other people who will be perfectly viable and able to work for a long time, and they want to. And how do we factor that in?

It is probably not good to try and do it in a hearing fashion where we feel like we have to all defend and move back and forth. But I think that there may be some mechanism we could put together that would come up with something that looks forward and deals with that.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Ike Skelton.

Mr. SKELTON. If I can pick your brains a bit, on looking at this—and as Admiral Watkins points out, the total compensation package—we want to see where you want to go with your "personnel force structure," if you want to use that phrase.

What will be required now? What is required now? What will be required 10 years from now, 15 years from now, 20 years from now?

What type of soldier will you need? Will you need more combat infantrymen? Will you need more computer operators? Will you need more in the other services? Technical types?

I think this is something that you're going to have to help us with before we can answer the questions that you have posed for us.

And I know it's looking into the crystal ball.

I'm also concerned about the fact—and this bothered me a great deal—there seems to be less and less interest in the young soldier wanting to go into combat arms.

I relate to you, this last year, in interviewing some 25, 26 young people for the service academies, one of them—wanted to be a combat leader. The rest wanted to be nuclear submariners, missile experts, et cetera. And that is the other end of the equation we're going to have to answer. If that is a phenomenon across the Nation, what are we going to do to attract people to the force structure that you want?

It's an over-broad question, but I wish you would address that. What shortfalls do you see now? What do you want 10 years from now, 15 years from now, et cetera? And I'd like to ask each of you to give that a shot.

General Wickham.

NATURE OF FUTURE FORCES

General WICKHAM. Let me give you just a brief shot at it, Mr. Skelton.

I think you're perfectly right. We have to look at the nature of the force.

There needs to be a balance between the combat dimension and the support dimension in every service.

As you know, and as this committee knows, what we're doing in the Army is holding our end strength constant. It has been constant for the past several years and will remain constant the rest of this decade.

Despite our constant end strength, we have created 21 more combat battalions, and we will create 15 more combat battalions within the next several years.

So, the Army is trying to put more combat capability forward out of the existing manpower level.

Mr. **Skelton**. Are you doing this at the expense of technology?

Gen. **Wickham**. We're trying to capitalize on technology, yes, at the expense of technology; and capitalize on the reserve components to help us. All of which means, then, that we need the incentives to keep people going into those kinds of combat skills. And the Congress has been a help in those particular incentives.

And that gets back to Mrs. Schroeder's point.

I beg to differ with you, ma'am. This is not a salaried occupation, as you know. And for platoon sergeants that have to take hills, petty officers that have to man battle stations on ships or those in the Air Force, we need a youthful, vigorous force. And, when you start having platoon sergeants trying to take hills, as I mentioned earlier, at age 50, we're in harm's way as a nation and as a military force.

We're going to get less and less people wanting to go into the combat skills.

Mr. **Skelton**. Admiral Watkins.

Admiral **Watkins**. Mr. Skelton, we have a career force plan that matches the 600-ship Navy, with the air wings and so forth.

In that plan, we project the petty officer growth by skill, and by years of service. These projections are in our computer base and are well defined. We have to justify various bonus levels to the Congress, to the staff people on this committee.

We know how to deal with that. We know how to present that information to you, and we can do that in great detail and would like to do so if that will be helpful to you.

We know where we're going with the career force. We know where we're going in the reduced manpower efforts. We know where we are going in the growth of skills that we need for the future. If we are to maintain an adequate margin of superiority vis-a-vis the Soviet Navy, then we simply must maintain this level. When we do not, then we go back to the terrible situation we had before, which is too many Indians and not enough chiefs manning our ships.

So, we do know where we are going for the future. We have our requirements, by specific skills, and by pay grade.

As I indicated to you, we are getting richer at petty officer level because of the reduced ship and squadron efforts, manpower because of improvement in technology. That makes it more essential that we have a tool to manage our career force. At this point in time, we know of no better system, unless we are going to revamp and go to a totally new salary concept, which QRMC's have already looked at. The salary concept has fallen on the rocks and shoals of inaction because nobody wants to deal with the complexities of a salary systems for the military, particularly if you have differential salaries between the various skills that have to fight next to each other.

Mr. Skelton, I would like to point out that you mentioned you only had one combat leader, but others would like to be nuclear submariners. I take umbrage with that. [Laughter]

There are a few that want to shoot missiles, too.

General **Gabriel**. If I could address the comment about youth and age and where we're headed in the future. We have aircraft today, like the F-16, that can outdo the pilots that fly them. Today you can pull 9 G's—the aircraft can actually pull more, but that's about the extent of the pilot's ability because he's going to black out—can't sustain 9G's very long; 40- and 50-year-olds are going to have more problems pulling 9 G's and turning their head and looking at 6 o'clock to the rear of them than our 20- and 30-year-olds.

So, these systems we're building are getting to be not only high technology, but so capable that they've outgrown the capability of older people to fly them. And you'd have to be in damn good shape to fly them today.

You asked what the people coming into the force today are interested in. They're interested in missiles.

We have also not seen any shortage of people who are interested in flying. And we have people waiting to get into pilot training. We haven't seen any shortage in getting volunteers to fly the combat-type aircraft, whether it be bombers or fighters.

What we do see in the future, I think, in terms of high technology, where there's a real payoff, is increased reliability and maintainability of our systems. And we've given that a real boost. For example, the C-17 is specified and warranted to give us one-third the maintenance man-hours per flying-hour the C-5A gives. And that not only saves a lot of dollars, that saves a lot of people. Reliability and maintainability is the fourth leg of the acquisition stool now—not just cost, schedule, and performance. We must make sure we can do our job more efficiently. Otherwise, it's going to cost a lot in terms of reduced capability if you can't support the new system that you're building.

So, back to what I initially said, the future means better trained people, smarter people, and better equipped and more experienced people. And "more experienced" means retention.

Mr. **Skelton**. Thank you.

General Kelly.

General **Kelly**. Thank you, Mr. Skelton.

I have been listening very patiently here to the words "technology" and "high technology," and I certainly can fully understand that it's an important part of our national defense. But I would like to put in a plug for the most important Marine we have, and that happens to be the rifleman. He is, indeed, the backbone of the corps. He's the one who is out there on a daily basis, in the mud, the snow, the sleet, and doing all of those things that we demand of him. And he's the one, incidentally, when he does retire after 20 years, who has few, if any, marketable skills.

I don't know many corporations that are openly soliciting infantrymen for high-technology jobs.

But he's also one, Mr. Skelton, the only one, who can seize and occupy terrain. And all other weapons systems within the corps, whether they be high technology or not, support him and him alone.

We do not have the problem that you suggested. As a matter of fact, I have far more lieutenants, right now at Quantico, who want to be infantry officers than we have spaces.

In our augmentation and retention program, we are, in fact, forced to augment our Marine infantry officers into other MOS's, because we simply have an overflow of infantry. So, the troop leaders are still out there—God bless them—and they're the ones who also need the attention.

Mr. SKELTON. Thank you.

The CHAIRMAN. Charlie Bennett.

[No response.]

Mrs. Holt.

Mrs. HOLT. Thank you, Mr. Chairman.

Thank you, gentlemen.

I've listened to 12 years of hearings on this subject, and I've never heard any suggestions that sound to me as if it would improve the situation.

I think you've all expressed it so clearly today, that the purpose is to offer a total package that's going to produce the recruits and the retainees that we need to man the weapon systems that we procure—and with the quality people.

So, I haven't seen anything that sounds any better to me, and I think there is a great danger in this turbulance. And it disturbs me. And I feel that we do not defend the system as strongly as we should, we here on this subcommittee. We are friends, but we keep saying, "Well, everybody is saying there's got to be a better way, so there must be a better way."

Let me ask about the suggestion that Admiral Watkins alluded to—I'm not sure he made a suggestion, but if you tried a 10-year, you say there would be no short-term-financial benefit from trying a—moving back to those who were in the service, early in the service, or even those who are coming in now.

Suppose we tried something like that to prove exactly how much compensation, how much total compensation we had to offer to maintain our people. Would there be—would it create a lot of—enough turbulance to make it not worthwhile?

I guess what I'm saying is could we do that kind of an experiment, just to lay this to rest, so that we'd have the facts to show that either people don't care about it or that they do care about it?

Would that create undue turbulance?

Do you understand what I'm trying to say?

Admiral WATKINS. I'm not sure, Mrs. Holt, that I understand it completely. But I would say that I would be very much against any experiments with retirement adjustments at this time.

Mrs. HOLT. Well, I mean——

Admiral WATKINS. If you're talking about experiments——

Mrs. HOLT. Well, look at the total package.

If you looked at the purpose of it is to come up with enough compensation, present compensation, retirement compensation, health care, family programs, all of the total package, to get people to come in the service—true?

Admiral **Watkins**. I would say, Mrs. Holt, that if you could devise an alternative at the 8- to 10-year point for individuals to select which path they would want——

Mrs. **Holt**. OK. That's what I'm talking about.

Would that——

Admiral **Watkins** [continuing]. Then we could undertake an experiment that would not injure our ability to manage the career force.

Mrs. **Holt**. All right. That's what I——

Admiral **Watkins**. And if you ran that for several years, with perhaps a whole new look at how you might develop a salary concept——

Mrs. **Holt**. Yes.

Admiral **Watkins** [continuing]. With adjustments and bonuses that would still be necessary for skill areas, and you had perhaps a different kind of retirement package, with some up-front attractiveness to it, that you might find that you could run it in parallel to the existing system as long as the individuals were able to select that option.

Mrs. **Holt**. Yes.

Admiral **Watkins**. Those kinds of systems have been looked at in the past and probably are workable, but they're very difficult to build.

Mrs. **Holt**. OK. That's the question I'm asking. Would that create undue turbulance? Would it be worth doing it to try to lay to rest all of the opposition to military compensation?

Admiral **Watkins**. I think as long as individuals knew it was very clear that the intent of the Congress was not to make drastic changes, but to look at alternative packages and to put it on a voluntary basis for those who would like to be participants, I think that could be explained to our people and the turbulance would be minimal.

That's my own personal opinion. I have not discussed this with the Chiefs, but I am giving you, today, my own opinion, having been in this kind of business for a long time.

Mrs. **Holt**. Well, we certainly respect that. And I, for one, have never seen any suggestion that it seems to me, is better than the system that we have today.

I think that, as you said, we've been able to improve it to the point that we have been able to retain our people. And as the demographics change, as you said, we are right on the fragile edge of seeing it go the other way.

And so I think it's very dangerous. If we are going to continue voluntary military, then I think that we have to find that compensation package that's going to produce the kind of people that we want. And I'm really nervous about trying anything else.

But I just wondered about that particular——

General **Wickham**. Mrs. Holt, can I just add to something there to give you a little handle on the implications of changing the retirement system?

We've done some sensitivity studies, trying to develop an econometric model which would predict behavior. And one of these models suggests that as small a change as 3 percent in the propensity to reenlist in the Army—in our noncommissioned officers—leads to loss of about 35,000 noncommissioned officers a year.

That means that we have to increase our accessions from 145,000 a year to 180,000. The cost of that—simple cost of that—is $72 million more a year in enlistment costs and $325 million in training costs—so, a net cost of about $400 million. And that means that we would now be willing to increase mental category 4 accessions.

Mrs. **Holt**. But, then, you're disagreeing with Admiral Watkins that we could try an experiment——

General **Wickham**. I don't know how we would do it.

I hear what he said, and I respect his judgment, because he's been in the personnel business for a long time. I don't know how we would do it in the Army, and I don't know how we would convince those who are not participants—and those that are participants—that the Congress really is going to keep faith with them and that "not to worry, this is just a temporary thing to see how you people sign up."

There's so much apprehension out in the field now that the implication is that what you're looking for is some way of cutting lifestream earnings. That makes people even more tight-jawed about sticking with the current system.

Mrs. **Holt**. Well, I certainly understand that.

I met with a group of young midshipmen from the Naval Academy. The only question they asked me was about the benefits, the total compensation—they were deeply concerned about—was it worth it all to them.

General **Gabriel**. Mrs. Holt, I believe that our people look on retirement as something permanent, that's more solid than anything else; they believe in it. They don't believe that other benefits have a great deal of permanency, and that's where we run aground. They can be voted one year and voted down the next. They count on retirement, and the retirement system.

You know, other things always come and go. And I think there's a trap there.

The **Chairman**. Thank you.

Mr. Bustamante.

[No response.]

The **Chairman**. Mr. Robinson.

Mr. **Robinson**. One of the major concerns expressed by each of you with regard to a change to the retirement system relates to the potentially adverse impact on retention of the career force.

If that is true, the most recent study of the Fifth Quadrennial Review of Military Compensation suggested a change that would increase the size of the career force.

And my question is: Why have the services rejected this proposal?

EFFECT ON RETENTION

General **Wickham**. I'll give you a start at it. There are two reasons.

First, is that there are about four or five options proposed in the Fifth Quadrennial Review. They are package options—do this and do this and do this and do this.

The fear has been, inside the Pentagon, that the Congress would pick and choose among the elements of a package option and pick only those elements that saved money and not put the money into the other elements of the options.

For example, one option is retire at 20 years with a lower percentage, but you get a lump sum pulled forward, the way the Australians do. The fear was that you would never give us the lump sum downstream. You might give it now, but then you would take it away.

Second, the Army disagrees with the projections of losses that the Fifth Quadrennial Review used. They used a model, an econometric model, that was based on the behavior patterns of soldiers as bonuses, enlistment bonuses, minor bonuses, changed—not lifestream earnings. There's no model that deals with lifestream earnings.

We've tried to figure that out with our own econometric models, and we believe that the losses are three to four to five times larger than the Fifth Quadrennial Review analysis produced.

Mr. ROBINSON. If someone else will respond to that.

Admiral WATKINS. I agree with that analysis.

The Chiefs, in general, felt that the options proposed, while theoretically possible, were politically impractical. It's simply that the up-front dollars that were involved would never be approved. Each QRMC alternative includes a high-cost, early withdrawal feature. None of us felt this feature was going to be forthcoming from the Congress, because at some point the outlay amount would be much higher.

Our feeling was that because we could not guarantee that this would all be accepted as in one neat package and delivered that way, that we would be prostituting ourselves as to what we feel is right to run the career force. Allowing the package to come over and then be carved up, as General Wickham indicated, and taking out those features that are fiscally attractive for the outlay savings of the day would be detrimental to the career force.

Mr. ROBINSON. I have another question, and I'll try to make it brief.

I hear the argument that many 18-, 19-, 20-year-old enlistees are more concerned about the retirement than any other variable. And I want to make a statement.

I joined the Navy at the age of 17, Admiral, and I really enjoyed my tenure in the U.S. Navy. However, at that age, I never thought about retiring. I thought about having a good time. [Laughter.]

In fact, the only reason that I left the Navy was—my Marine Corps friend there—I was a naval hospital corpsman and they threatened to assign me to the 3d Marine Division in Okinawa, so I decided to get out and go to college.

But my point is I think that each of you know that we, in Congress, are going to take a very close look at our military retirement system.

It just seems to me that we ought to be working toward, for the new enlistees, not touching the current retirement systems and those that we have a contract with; we really ought to be looking at the feasibility of raising, for example, retirement age to the age of 55. We're not breaking any contracts with those fine men and women that are serving our country. But it would be a way down the road, to start saving some money on our retirement system.

If any of you have any comments, I'd certainly like to give you an opportunity to state those.

General **Wickham**. Well, Mr. Robinson, I respect your judgment. But when you're talking about infantry soldiers, tankers, and the combat forces that bring power to bear on the continents where our interests are affected, 55-year-old infantrymen are not what the Nation needs.

So, to mandate that you couldn't get any retirement until age 55, we'd have one whale of an amount of turbulance in people. We'd have to go to the draft. You wouldn't have able to have a volunteer Army.

Mr. **Robinson**. Well, I'm not really opposed to that, but let me sort of draw an analogy here.

We've got fine men and women in law enforcement positions who do not have to stop work until they're 55, DEA agents, and others. And certainly they're put into positions today that their lives are threatened almost on a daily basis. And they seem to be able to carry out their functions.

And I'll just close by telling that I think that argument is a little bit unreasonable. I know I'm still a young man at 43, and I hope at 50 I can still get out——

General **Wickham**. Mr. Robinson, I'd like to put in the record, if I might, a study that we have done of law enforcement and firefighter agencies throughout the United States. All, virtually all of them, have a 20-year retirement requirement or option and a younger age outflow than we do in the military, or at least consistent with it.

So, we're not out in front.

Mr. **Robinson**. OK. Thank you very much.

[The following information was received for the record:]

Law Enforcement/Firefighters Study

Our study was conducted to determine the retirement eligibility and benefits for hazardous duty personnel in various states, cities and one county throughout the US and one federal agency involved in law enforcement. Results are summarized below:

Agencies	Eligibility	Benefits
FEDERAL		
FBI: Agents	Age 50, 20 YOS. Age 55, mandatory	2½ of HI 3 for 20 YOS. 2% after 20 YOS. 1 Jan 84, agents have SS.
STATE		
Delaware	Prior to 1 Jul 80—20 YOS. After 1 Jul 80—25 YOS.	50% of salary at time of retirement.[1]
Illinois: Hazardous duty (St and conservation police, investigations, fire fighters, and certain pilots).	Age 50 w/25 YOS or age 55 w/20 YOS	Avg last 4 YOS ×: 1st 10 YOS × 2.25%=22.5%; 2nd 10 YOS ×2.5%=25.0%; Over 20 YOS × 2.75% COLAs—AD HOC basis. No SS coverage.
Kansas: Police and firemen	Age 55 and 20 YOS. Age 50 and 20 YOS w/reduced annuity.	2% × Avg Hi 5 YOS × YOS. COLAs. No SS coverage.
Maryland	25 YOS or age 50	55%, Hi Avg more than 25 YOS, 10% per Year; COLAs.

Agencies	Eligibility	Benefits
Montana: Highway patrol	Any age 20 YOS	2% × Avg Hi 3 YOS × YOS to 25 YOS. 1% per year after; COLAs—AD HOC basis. No SS coverage.
Pennsylvania: Hazardous duty	Age 50 w/3 YOS for hazardous professions (police and law enforcement officers).	2% × Hi 3 Avg × YOS COLAs—AD HOC basis. SS in addition to retirement.
Virginia	30 YOS age 60. 30 YOS age 55 (with reduced benefits).	Hi 3 Avg-$1200 × .0165 = benefits × YOS = annual pension + $3000 supplement per year until eligible for SS. Age 55 less 30 YOS--½ of 1% for first 60 months between early retirement date and date eligible for full benefits; beyond 60 months, ⁹⁄₁₀ of 1% for each additional month.
COUNTY		
Fairfax County, Virginia:		
Police	Any age, 20 YOS	2½% × Hi 3 Avg to 25 YOS + 2% after 25. Limit to 66.66% of Avg final compensation. 4% annual COLA. No SS coverage.
Firemen	Any age, 20 YOS	1.5% Avg annual salary to SS earnings at 65, plus 2% Avg salary above. SS × YOS plus supplement. SS offset.
CITIES		
D.C.	Prior to 1 Feb 80—20 YOS (no age). After Feb 80-25 YOS.	50% Avg salary for past 12 months × 2½% year for 20 YOS × 3% above 20 YOS. 2½ × YOS to 25, 3% × YOS above 25.
Jacksonville, FL: Police and firefighters	Age 50, 25 YOS	2% of Avg last 3 YOS × YOS to 30 YOS. 1% × base 30-35 YOS. 65% of final base is max. COLAs vary. No SS.
Kansas City, MO:		
Police	Any age, 25 YOS	2% of Hi Avg × YOS to 60%. COLAs—on CPI to 35 No SS.
Firemen	Any age, 25 YOS	2% of Hi 3 Avg × YOS to 60% COLAs—on CPI to 3% No SS.
Los Angeles, CA: Police and firemen	Age 50, 10 YOS	2% of Avg salary per year to 20 YOS; 3% per year to 30 YOS; maximum 70% COLAs—not to exceed 3% COLAs compound. May receive discretionary COLA every 3 years. No SS.
Seattle, WA:		
Firefighters	Age 50, 25 YOS	2% × final Avg salary × YOS to 60%. COLAs—CPI or salary increase of active firefighters. No SS.
Police	Age 50, 25 YOS	Under 10: 1% × final Avg salary × YOS. 10-20 YOS: 1.5% × final Avg salary × YOS. Over 20 YOS: 2% final Avg salary × YOS. COLAs—to CPI, no cap. No SS.

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[1] Member retiring today-pays must equal pay of member of same rank who retired at earlier time.

TRAINING COSTS REENLISTMENT

A reduction in the value of retirement would result in an increase in personnel turbulence and necessitate more accessions into the Army each year. These added accessions would cause, in turn, an increase in the Army's recruiting and training costs. For example, CBO has estimated that if the law were changed so that retirees always received only half of the increase in the CPI as a cost of living adjustment to their retired pay (i.e., permanent half-COLA), DoD would save approximately 4.4 billion dollars in accrual costs annually. However, the Army estimates that such a reduction in the value of retirement would cause its annual enlisted accession requirements to rise by betwen 7,000 and 30,000 depending on the sensitivity of soldiers to such changes. The cost of training these additional accessions would be 70 to 280 million dollars. Recruiting costs would rise by 14 to 62 million dollars if the Army imposed no quality constraints and by 150 to 860 million dollars if the Army maintained its current quality goals. Other services would experience similar cost increases.

The major drawback to retirement reduction, however, is likely to be reduced readiness. Continuing with the preceding example, 30,000 additional accessions would mean that between 10,000 and 15,000 more soldiers would be receiving initial training at any point in time. This means that the operational forces would have 10,000 to 15,000 fewer soldiers with which to accomplish their missions. Furthermore, the senior NCO ranks would be less experienced as fewer soldiers elected to remain until retirement, and the Army's quality content would undoubtedly diminish given the high cost of maintaining its current goals in the face of increased accession requirements.

Thus, retirement reductions would cause increases in training and recruiting outlays that should be considered in any analysis of the affect of a change to the retirement system on personnel costs. Furthermore, the savings that are realized would come at the expense of force readiness.

General GABRIEL. Could I add one thing, Mr. Chairman. All of the alternatives we have looked at, to encourage people to stay longer, to, say, the age 55, are going to cost you more—in the long run, it's got to. You're going to be paying a lot more in retirement, because they earn a higher pay as they retire.

Mr. SISISKY. I do not understand that, General. I understand what you are saying, but I do not think actuarially that is a sound proposal. But that is not what I wanted to ask you.

All of you in testimony today talked about the all volunteer service. How long do you think that is going to last? And let us be very honest today. We look at demographics and I am sure that you look at demographics a lot more than we do.

And the other question I wanted to ask, General Wickham, I think you stated that the average retirement age is 43. And Mr. Montgomery raised the question about extending the retirement age. Now, does it make any sense— I would agree with you, by the way, on the age 55. I think that is probably a little too much. But, could we compromise at a figure, whether it would be 22 years, or 23 years, and I am talking about the new entrants. It would not be an immediate saving, but is there a ground that we could perhaps still keep the forestructure that we need, the people that we need, and extend—I am looking at an actuarial thing now—extend it to 22, or 22½? I do not know what the figure would be, and still be able to maintain the correct people.

In business, and I come out of the business world, we are faced with this all the time, particularly in jobs that require a lot of strength and stamina, and we seem to find a way to use those people, and I am sure you find a way to use the 45-year old infantryman, whether he has been an assistant up here in the Pentagon, or something else, even today those who stay 30 years.

So, is there a ground that perhaps we could compromise to, and that is what I am really looking for. I agree wholeheartedly with your statement. I do believe that we do need to look at a total compensation thing. But all of our Federal employees are faced with the same problem today. The turmoil—and I have talked to military people as well as Federal employees, and particularly those in the industrial base of the Department of Defense, and they are worried, and that is not good for morale, and it is not good for keeping the proper people in there, because the good people are going to leave and you will be left with a lot of marginal people.

Thank you. So, my first question was the All-Volunteer Army and my second was is there a way to compromise.

QUALITY OF PERSONNEL

General **Wickham**. In the All-Volunteer Army, right now we are able to sustain our ranks, a 781,000-man Army, with quality people, the best quality people that I have seen in 35 years of service, with the assistance of the Congress and the bonuses and incentives that you have provided to us. We are still making our quotas. We are still able to do it despite the upturn in the marketplace. We do not need a draft right now. So, that is the answer to that question, and as you will recollect, the draft only passed by one vote in the early 1940's, so it has never been popular in this country. I do not know what the mood of the country is now. You are closer to that than I am.

As to the time in service for retirement, I cannot—none of us, I do not think, can state here that moving the time from 22 to 23 or 24 is going to devastate the force. But, I do not know how you do that. You had some actuarial experience. As you push the average time up you will have older people and you will have older infantrymen. And how you employ them effectively in the Army is unclear.

But I cannot say moving it up a couple of years with certain incentives making it more attractive for people to stay in—that may be a good idea. But I think that General Gabriel's point about the older the people at the age of retirement, the higher the cost of retirement system is true, because they retire at a higher grade and more years of service with the points of service calculating into the retirement.

So, the gross cost to the Government is greater with older people retiring and, therefore, to the extent you attract them to higher grades and longer service, you are going to have a bigger bill.

General **Gabriel**. Mr. Sisisky, if I could add to that. Let us provide for the record that the longer you stay, the more it is going to cost.

[The following information was received for the record:]

Twenty versus Thirty Years Retirement Cost

General **Gabriel**. The following charts depict examples of individual retired pay for selected officer and enlisted grades. Notice that in each case a retiree living to the average age of 75 will earn more in lifetime pay for each year of service (YOS) beyond 20 YOS until 26 YOS. This is because the longevity pay increases at the 22 and 26 year points combined with increased retired pay multipliers (2.5 percent for each year beyond 20 YOS) more than compensate for the reduced number of years an individual is in a retired status. For example, an E-7 with 20 YOS will receive about $350,000 in lifetime retired pay; an E-7 with 26 YOS will receive almost $450,000. Looking at the outcome another way, chart #2 compares the cumulative lifetime retired pay of an E-7 and 0-5 retiring with 20 YOS and 30 YOS. Notice the crossover point (point at which lifetime retired pay with 30 YOS exceeds pay with 20 YOS) occurs about age 61 for the enlisted member and about age 70 for the officer. Although this increase in retired pay is offset somewhat by lower accession and training costs, active duty pay will also increase (more senior force) and the total system costs will be higher. As an example, the following shows an estimate of total system costs for our enlisted force if retirement eligibility is extended from 20 YOS to 23 YOS. Annual active duty pay costs would increase about $60 million. This is the result of having a more senior force in terms of YOS profiles (chart #3). According to DoD estimates, the normal cost percentage for the retired pay accrual account would increase about 3 percent resulting in accrual charges increasing by $120 million (chart #4). Savings as the result of lowered accession and training costs due to the reduced requirement for enlistees to replace retirees estimated at about $30 million. This leaves a net overall increase of approximatley $150 million in pay and retirement costs for our enlisted force. This scenario shows increased total system costs despite the fact that the minimum retirement point is modestly increased and there are about 8 percent fewer retirees. The analysis assumes that this extension to 23 YOS does not discourage careerists and therefore the continuation rates through the first 20 YOS are the same as they are for the current system. Although the "rates" are the same, the "number" of retirees decreases since fewer recruits are needed each year to sustain the force.

20 VERSUS 30 YEARS RETIREMENT COST (Cont'd)

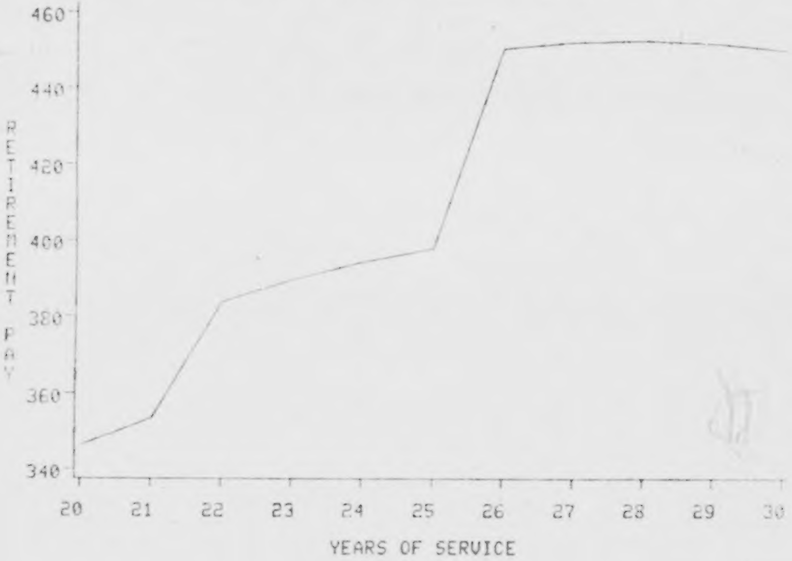


CHART #1

LIFETIME RETIREMENT PAY VS. YEARS OF SERVICE

(E-7, THOUSANDS OF 1985 DOLLARS)

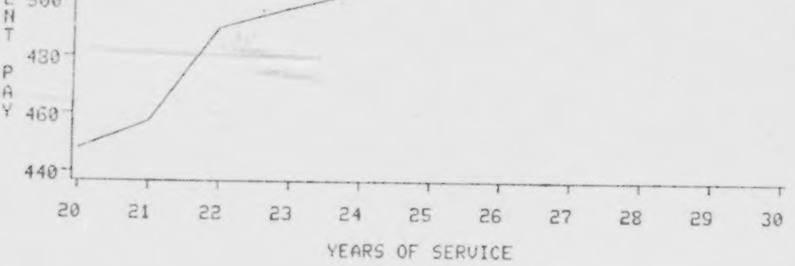


CHART #1

LIFETIME RETIREMENT PAY VS. YEARS OF SERVICE

(E-9, THOUSANDS OF 1985 DOLLARS)

20 VERSUS 30 YEARS RETIREMENT COST (Cont'd)

CHART #1

LIFETIME RETIREMENT PAY VS. YEARS OF SERVICE

(O-5, THOUSANDS OF 1985 DOLLARS)

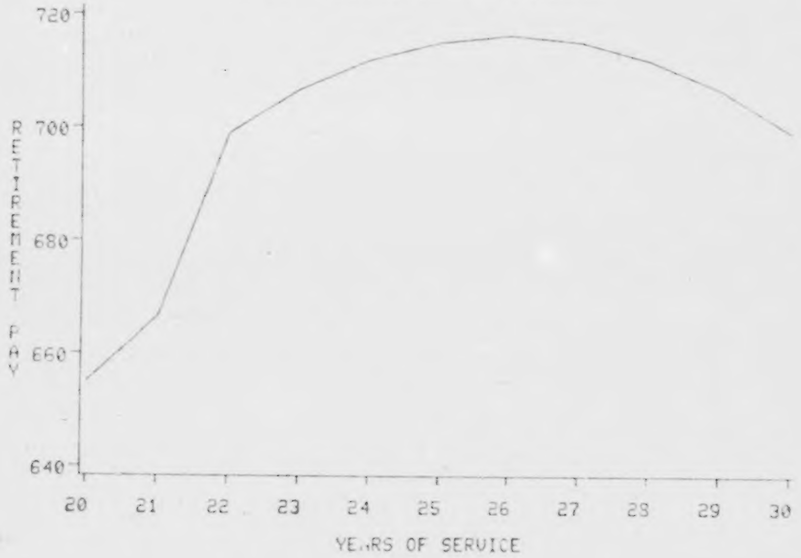
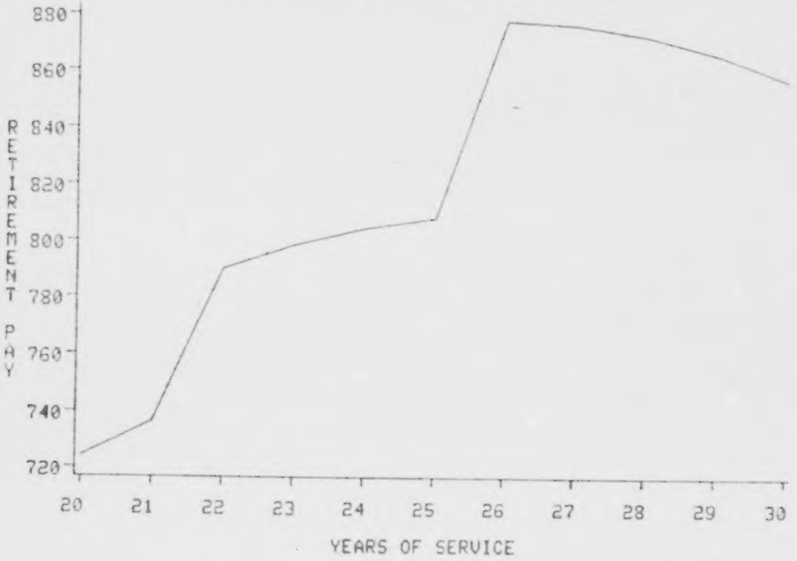


CHART 1

LIFETIME RETIREMENT PAY VS. YEARS OF SERVICE

(O-6, THOUSANDS OF 1985 DOLLARS)



20 VERSUS 30 YEARS RETIREMENT COST (Cont'd)

CHART #2

CUMULATIVE LIFESTREAM PAY VS AGE

FOR A RETIRING E-7

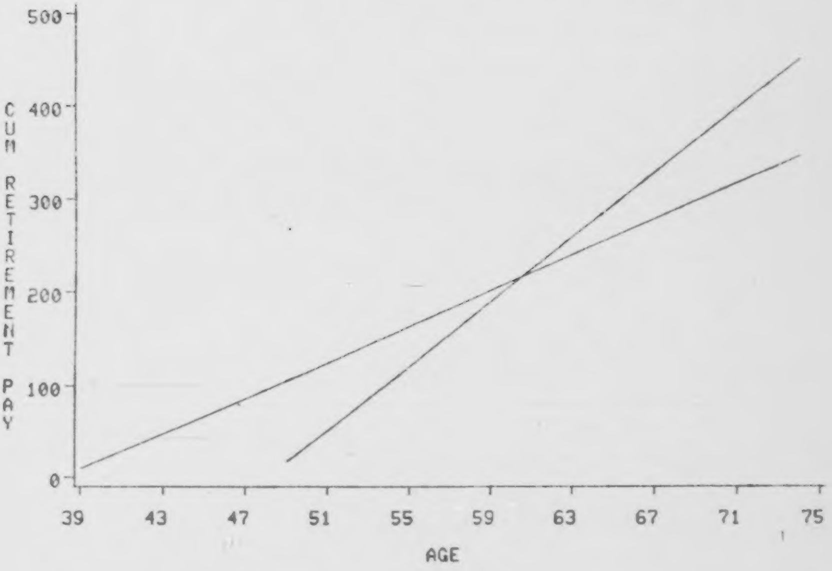
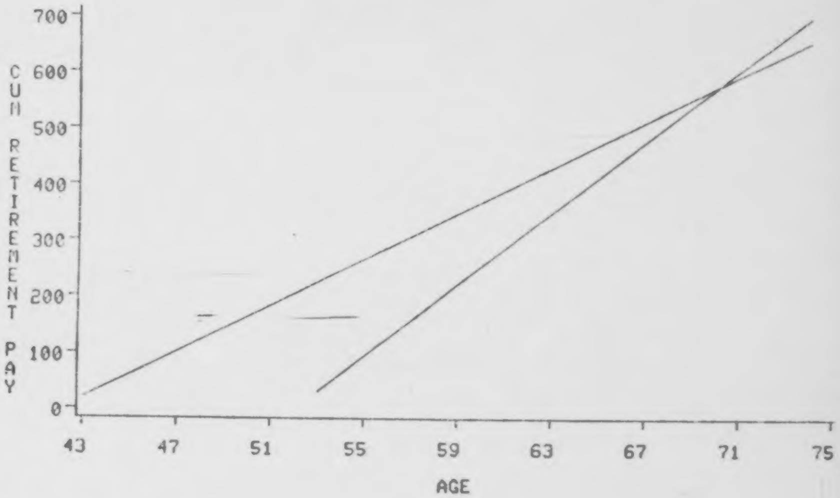


CHART #?

CUMULATIVE LIFESTREAM PAY VS AGE

FOR A RETIRING O-5



20 VERSUS 30 YEARS RETIREMENT COST (Cont'd)

CHART #3

STEADY STATE YOS DISTRIBUTION

CURRENT VS 23 YEAR RETIREMENT

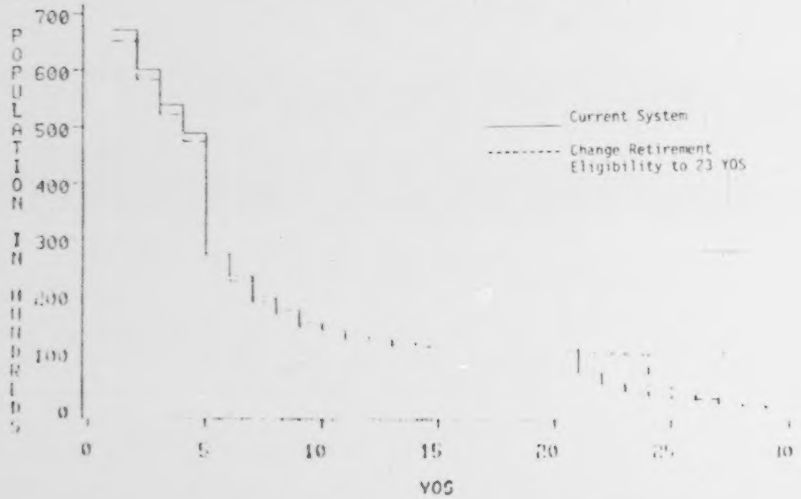


Chart 4

Comparative Annual Costs (Outlays)

Fiscal Year	Current System 20 YOS Retire $	 Basic Pay + Retire $	Annual DELTA Cost to [illegible] YOS 25 YOS Retire $	 Basic Pay + Retire $	 30 YOS Retire $	 Basic Pay + Retire $
1983	16.2	45.8	(0.2)*	–	(0.3)*	–
88	20.8	59.5	(1.1)	0.5	(2.4)	1.0
93	28.6	80.3	(1.2)	1.6	(3.9)	3.[illegible]
98	39.3	107.6	(0.4)	3.[illegible]	(3.2)	7.0
2003	53.3	143.2	1.7	5.[illegible]	–	[illegible]
08	70.8	188.7	4.3	[illegible]	[illegible]	[illegible]
13	92.7	247.2	6.6	[illegible]	14.[illegible]	[illegible]

* ( ) reduced cost delta

Mr. **Sisisky**. That is true, except for the fact that you are using that experience while they are in there. It is not cheap to train people on an Aegis cruiser or a Trident submarine even though the age is 22 now, I think, on the Trident, the average age. But you are still using that experience and getting the benefit of that experience and it is still 10 years less retirement even though their compensation is higher. But I would be glad to receive any information, general.

General **Kelley**. Mr. Sisisky, just for the record, our average retirement for officers is 24.84 years of service, and for enlisted is 23.12 years of service. But I would like to make the point that the more that you do tinker with the current retirement benefits, the more you will, in fact, drive us toward a draft.

The **Chairman**. Any comments? No? All right.

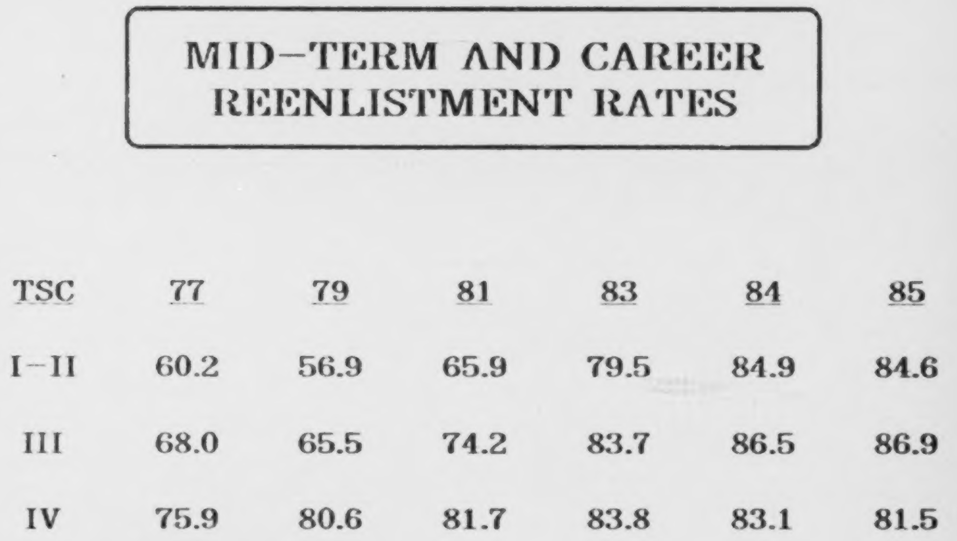
Mr. Sweeney.

Mr. **Sweeney**. I appreciate having all you gentlemen here today with us, all four of you. It is not often we have all four of the Joint Chiefs of Staff before us. And I have to tell you that looking out at all those stars and stripes on those uniforms, I cannot help but say that it makes us all feel a little more patriotic, including those of us, General Kelley, who were not Villanova fans. [Laughter.]

General **Kelley**. Did you say fans or graduates, sir? [Laughter.]

Mr. **Sweeney**. I would like to take a few minutes of your time to discuss the reenlistment retention rates. To begin, let me ask you, General Wickham, what is the overall average reenlistment or retention rate for the Army?

General **Wickham**. Let me have slide No. 7 please.



MID-TERM AND CAREER
REENLISTMENT RATES

TSC	77	79	81	83	84	85
I–II	60.2	56.9	65.9	79.5	84.9	84.6
III	68.0	65.5	74.2	83.7	86.5	86.9
IV	75.9	80.6	81.7	83.8	83.1	81.5

Can you see that all right, sir?

Mr. **Sweeney**. Yes.

General **Wickham**. This shows the school category, test score category I through II and III and IV, the lowest we take. Through the year 1977 on through 1985, you see the reenlistment rates growing to a pretty good level here.

The growth has been substantial in mental categories I and II and III; IV has grown a little bit, but not as much. That is good news because the quality is here. These people are much more affective with the weapon system, and these people have a propensity to stay out of trouble and to stay in the service.

Mr. **Sweeney**. Let us take that figure, General. You have 60.2 percent here. Now, we are talking about tinkering with the benefits, the retirement, the pay system.

General **Wickham**. Right.

Mr. **Sweeney**. All, of course, with the intention of reducing it. I do not think there are many——

General **Wickham**. Right.

Mr. **Sweeney** [continuing]. Members of Congress talking about increasing it at this stage.

What kind of dropoff do you anticipate in your reenlistment?

General **Wickham**. OK, we are out here now. We are talking about 84 percent. Our econometric model suggests that if we drop this 3 to 4 percent, it would yield the requirement of about 35,000 more noncommissioned officers who we have to take in in the front end. That means that our accessions would jump from 145,000 a year to 180,000 a year.

Mr. **Sweeney**. At which point you are looking to attract new recruits.

General **Wickham**. Yes.

Mr. **Sweeney**. Which means new training costs.

General **Wickham**. Yes, new training, and the training costs for those 35,000 are about $325 million. The accession costs are $72 million more, but it may be that we would have to access mental category IV. It is going to be higher than the $400 million that I mentioned if we want to insist on mental category I and II and replace the ones we have lost here.

Mr. **Sweeney**. Can you draw, General Wickham, historically a correlation between training costs of new recruits and the value of reenlistment——

General **Wickham**. Yes, sir, let me put that in the record.

Mr. **Sweeney**. OK.

[The following information was received for the record:]

Training Costs/Reenlistment

A reduction in the value of retirement would result in an increase in personnel turbulence and necessitate more accessions into the Army each year. These added accessions would cause, in turn, an increase in the Army's recruiting and training costs. For example, CBO has estimated that if the law were changed so that retirees always received only half of the increase in the CPI as a cost of living adjustment to their retired pay (i.e., permanent half-COLA), DoD would save approximately 4.4 billion dollars in accrual costs annually. However, the Army estimates that such a reduction in the value of retirement would cause its annual enlisted accession requirements to rise by between 7,000 and 30,000 depending on the sensitivity of soldiers to such changes. The cost of training these additional accessions would be 70–280 million dollars. Recruiting costs would rise by 14 to 62 million dollars if the Army imposed no quality constraints and by 150 to 860 million dollars if the Army maintained its current quality goals. Other services would experience similar cost increases.

The major drawback to retirement reduction, however, is likely to be reduced readiness. Continuing with the preceding example, 30,000 additional accessions would mean that between 10,000 and 15,000 soldiers would be receiving initial training at any point in time. This means that the operational forces would have 10,000 to 15,000 fewer soldiers with which to accomplish their missions. Furthermore, the senior NCO ranks would be less experienced as fewer soldiers elected to remain until retirement, and the Army's quality content would undoubtedly diminish given the high cost of maintaining its current goals in the face of increased accession requirements.

Thus, retirement reductions would cause increases in training and recruiting outlays that should be considered in any analysis of the affect of a change to the retirement system on personnel costs. Furthermore, the savings that are realized would come at the expense of force readiness.

Mr. **Sweeney**. Admiral Watkins, do you have a statement on that?

Admiral **Watkins**. Our figures run in similar fashion, Mr. Sweeney. The Navy second term and career figures are comparable to what General Wickham displayed, 64.4 percent for the second term and 95 percent for the third term. This is enlisted retention for the end of fiscal year 1984.

I would point out that today those two figures are down a percentage point or two. Instead of 64.4 percent for second term, we now are running about 63.4 percent for the year to date. I am talking about comparable periods of time now, so, I think it is apples and apples.

Also, our very senior people in the third term are down to around 92 percent. Now, while those are not startling figures, those percentages work on large numbers. And the numbers of senior petty officers become very critical to us.

Therefore, while we are doing extremely well against goal percentagewise, the base is still not there. We still are 5,000 petty officers short, admittedly less that from the 22,000 shortage we had at the end of the last decade. We have to look both at percentages and we have to look at the basic against which they are calculated.

We are still coming out of the swamp of the last decade and this is not the time to allow those percentages to dip much more. We have training problems with an otherwise level input load right now from our recruiters. We would have to adjust up significantly their inputs to counter all the training costs proportional to losses of experienced personnel. Our numbers for training indicate it costs roughly five times as much to bring in a new recruit as it does to retain the old guy.

General **Gabriel**. If I could quickly recap our retention rates which I mentioned earlier. For the first-term airman, after 4 years, 62 percent are staying with us. And after 8 years, 80 percent, and then the curve is 96 percent. So, it is a good picture in the Air Force.

For pilots, in the late 1970's we were losing three out of every four in the 6 to 11 year group. Now we are keeping about three out of four. We are keeping 72 percent. That rate varies with the health of the airlines and whether they are hiring or firing. However, today the airlines are not paying quite as much as they did before, so we are holding in there pretty well. Overall, 62 percent of our nonrated officers are staying with us.

General **Kelley**. Mr. Sweeney, we have just finished this past year with the best recruiting that we have had in the history of the U.S. Marine Corps, both the officer and enlisted. And I think one significant area is in our officer corps where, today, we have 10 high quality officers applying for each regular commission that we can provide.

Now, most of our regular commissions come at the entry point with the Naval Academy and the NROTC. All other officers are commissioned as reserve officers, and they are given an opportunity through the subsequent years to compete for a limited number of regular commissions which are available.

Right now our retention, both officer and enlisted, is at an historic high.

The CHAIRMAN. Mr. Bateman.

Mr. BATEMAN. Thank you, Mr. Chairman.

Let me just make an observation. I think the case that has been stated that you cannot look at retirement benefits isolated from the total compensation package is an irrebuttal one, and I think it is a very serious mistake for us to focus upon that narrow aspect.

I think it is also unfortunate that most of the focus of discussion in recent months on the retirement has probably been engendered by those who say that it represents some incredible cost to the country devoid of any consideration of what the country is getting for the cost.

Having said all of that, my human experience, and I am one of those who is more than 55 of little use to you for certain of your missions, in fact, perhaps for any of your missions, my experience over those years indicates that no system devised by man and implemented among mankind is a perfect system.

Cannot we get from this context of discussing military compensation packages, including as a part thereof, retirement in the context of how can we save a buck now or how much can we save right now versus how much can we save over time; cannot we move to where we really begin to investigate a system that does not break faith with those now in the service or who are now retired, but which could be an improved system that would meet the national imperatives of maintaining the full strength that national security requires?

I can understand that you do not want to come here and tout some tribunal review that has X and Y elements in it if you feel that you are sincerely or genuinely at risk of getting only a portion of the package, and those which save the money and not those that enrich on the other side.

Cannot we move from that to where we do address total compensation, total benefits to assure the continuity or full strength, the equity that is necessary as well as whatever equities might be produced for taxpayers?

Admiral WATKINS. My feeling is, Mr. Bateman, that you cannot. The reason you cannot is because we have looked now at five quadrennial reviews and, a whole range of additional studies. The chairman mentioned as many as nine. I think that is the correct number. They invariably end up costing more. When they are reviewed by the Congress, they are shelved again and put back on the too hard list. That is what really happens. In my opinion, you are getting more bang for the buck out of our wonderful sailors and soldiers and airmen and marines than ever before.

Mr. BATEMAN. Let me interrupt just for a moment because I understand that point of view that you have articulated earlier. But I am coming at you from a direction, at least for this Member of the Congress, says if you lock your Chief of Naval personnel, consultants who are expert in private pension programs, all of the operating officers to define your needs and you look at every bit of it, you would not offend me if you came back and said it is going to cost you some more money, but this is going to enhance our national defense, our national security, and it is needed, and we can justify it because what it does—I think perhaps you are more defensive certainly as to this Member of Congress than you need to be in terms of would the Congress seriously entertain doing things even though it might cost some more money if you could demonstrate that we would have a better national defense establishment.

General **Wickham**. The fifth quadrennial review, as I mentioned earlier, Mr. Batemen, did have some options that were costly, more costly up front. I explained the reasons that the administration decided not to forward them because of uneasiness about picking and choosing. I think all of us share that.

If "improved" means less life stream earnings, then I think all of us can guarantee that we cannot predict what the outcome is going to be. And I do not think that anybody in the Congress is proposing increased life stream earnings, because then the retirement program is going to be larger than it is now.

Now, as I sense it and as the field—the troopers—sense it, the effort is to whack retirement to save money. And I think the burden of the argument we have given all of you today is straight from the heart. We do not want to be part of the problem. We are trying to be part of the solution and give you straight advice.

Our views are that you are going to hazard the force, the quality of the force, by major changes that lead to reduced life stream earnings in the retirement program.

The **Chairman**. Mr. Sweeney.

Mr. **Sweeney**. One more question back to our previous discussion about reenlistment. Other than training costs, gentlemen, are there any other costs that are unique to the new recruit, to the new enlisted man? Are you forced to have him travel that much more often? Does he use more supplies? Does he eat more? Are there medical costs that are inherent in being in the recruit that are not for somebody who has been in the service for a long period of time?

Seriously, are their costs that you incur for these new recruits that would not be the case for a long time enlisted man?

COSTS INCURRED BY NEW RECRUITS

General **Kelley**. I will take a crack at that, Mr. Sweeney. The answer is, all of the above.

First of all, we have put considerable effort in our recruiting. Some of the finest Marines that we have in the noncommissioned officer ranks are out there, on a daily basis, from all MOS's and we pay a great penalty to have those young people out there doing the superb job they are doing.

We do move a recruit down to one of our recruit depots, and then 10.5 weeks later he moves to another duty station. After he has his intermediate level training, then he will in some cases move to yet another duty station. We have to outfit him with all of his clothing, and we have found as a matter of fact, since you asked the question, that an average recruit eats about twice as much because of his level of activity as other Marines.

So, yes, there are indeed other costs besides just the cost of training.

Mr. **Sweeney**. Thank you.

Thank you, Mr. Chairman.

The **Chairman**. Thank you, and thank you all, gentlemen, very much for helping us out here this morning. Thank you very much.

[Whereupon, at 11:52 a.m., the subcommittee was adjourned.]

REFORMING THE MILITARY RETIREMENT SYSTEM

House of Representatives,
Committee on Armed Services,
Military Personnel and Compensation Subcommittee,
Washington, DC, Wednesday, April 3, 1985.

The subcommittee met, pursuant to notice, at 2:05 p.m., in room 2118, Rayburn House Office Building, Hon. Les Aspin (chairman of the subcommittee) presiding.

STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES AND CHAIRMAN, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

The **Chairman.** The meeting will come to order. We welcome this afternoon some people who will be very helpful to us in our examination of the military retirement system. We have a number of people who have a lot of expertise on this subject, and would like to welcome all of them to our panel here this afternoon.

We allow you to proceed in any way that you want to proceed in terms of whether you want to read your statement, you want to submit the statement for the record, whether you want to not give an opening statement, whether you want to summarize, whatever you would like to do, please feel free to do it.

I think some of you had heard the testimony that was presented yesterday and would appreciate your comments on any of the testimony that you heard or anything that you thought was correct or incorrect in the opening statements.

But let me first turn the microphone over to the ranking Republican, Bud Hillis.

Mr. **Hillis.** Thank you, Mr. Chairman, I have no comment.

The **Chairman.** OK, let me introduce our witnesses then. We have John Bickerman who's the research director of the Center on Budget and Policy Priorities;

We have Bob Hale, the Assistant Director of the National Security Division of the CBO;

Marty Binkin, the senior fellow for Foreign Policy Studies at Brookings;

Dr. Herman (Dutch) Leonard, professor of public policy at the J.F.K. School of Government; and

Mr. Ken Shapiro who is the president of Hay-Huggins.

And welcome, gentlemen, to our hearing this afternoon. Why don't we start with Mr. Shapiro and just kind of run down the line?

STATEMENT OF KENNETH SHAPIRO, PRESIDENT, HAY-HUGGINS, MEMBER, THE HAY GROUP

Mr. SHAPIRO. Good afternoon, I'm Ken Shapiro, president of Hay-Huggins which is the worldwide actuarial and benefits consulting arm of the Hay Group. All I really wanted to briefly mention this morning is the involvement we, as a firm, have had in the study of public pension plans, particularly in the Federal Government.

To cite the three most recent things we did, we were consultants to the Fifth Quadrennial Review on Military Compensation, we provided all the data comparing the military retirement system to the private sector system. We are currently working with the U.S. Air Force building actuarial computer models to value pension and other benefits in other compensation programs; and over the last year, we've been working with the House Committee on Post Office and Civil Service. We recently submitted our total compensation and pension analysis of the Civil Service Retirement System.

So we've been actively involved in providing information to Congress and its agencies on pension and other compensation issues, and hope to continue to do so this morning.

Thank you.

The CHAIRMAN. Thank you. Mr. Leonard.

STATEMENT OF HERMAN (DUTCH) LEONARD, ASSOCIATE PROFESSOR OF PUBLIC POLICY, JOHN F. KENNEDY SCHOOL OF GOVERNMENT

Mr. LEONARD. Good afternoon, my name is Herman Leonard. I am an associate professor of public policy at the Kennedy School of Government at Harvard University. I teach public finance and have done research on a variety of different retirement systems, including the Federal Civil Service Retirement System and the Military Retirement System.

I am pleased to have an opportunity to talk to you today. I have a written statement which I would like to submit for the record, of which Mr. Emmerichs has copies. And in the interest of moving as quickly as possible to the questions I would like just to emphasize the main argument that I make in that statement.

No one any longer disagrees that the Military Retirement System is expensive, but there is still disagreement about the terms in which we ought to join the debate about the Military Retirement System in trying to consider its expense. I think there is a major problem in the way the debate has so far been framed.

You can look at it in the following way: Critics say the Military Retirement System is a retirement system and it's too expensive. The armed services say it's a retention system, and it works.

What I'd like to observe with you today is that those two statements are not necessarily in conflict. I want to try a different formulation in which we take seriously the armed services statement that this program really ought to be thought of as a retention system, and then to ask whether this is the retention system that the military services ought to have.

So my statement is this: OK, it's a retention system. It's a poorly designed, overly expensive, and inefficient retention system, and for that reason, it is deserving of reform. The system we have is an historical accident. It's hard to believe that those who originally put together something like the formula we still have, just after the Civil War, had in mind exactly the incentives that we need today to retain a qualified young and vigorous armed services.

Here's what I mean by the statement that we ought to think of this as a problem of an inefficient retention system. The current system is both a retirement system and a retention system. Take whatever level of benefits you think is appropriate as a retirement system. The rest of what's in the military system, and many people think it's half or more of it, is what the military is referring to as the retention system, which they want to keep. So let's take that part, the part in excess of whatever level of benefits you like as a retirement system, and ask, is this the right way to design, build and fund the retention system.

I think it's poorly designed for at least three reasons. First, the system is all or nothing. You either win a very large prize at the end, or you receive nothing, which provides very strong incentives for a few people and no incentive for those who do not expect to stay in.

The second problem is that the system, from the perspective of the recipient, is extremely risky. When you enter the service, you don't know whether you're going to be able to stay in for 20 years, so in the early years, there's practically no incentive given for you to stay. The payments made by this system are less valuable to people as a consequence of being risky.

The third problem is that payments are long deferred. Any inducement that you get comes from the fact that you will receive very large benefits very far downstream from when we are trying to affect your incentives. The Military Retirement System can be characterized as a contest in which a relatively small fraction of the people who join the system will win a very large prize. Now, to get any incentive for retention out of a system like that, you have to provide very large prizes, and indeed, that's exactly what we have. At 20 years, the award for having qualified in the system is, in a capitalized value sense, equivalent to about 10 years of salary. If you stand back and ask, how would we design a retention system, that seems to be a very odd way to have structured its payments. Indeed, who would have thought that if we wanted to provide a system of incentives for retention or recruitment, that the way we would go about doing so is through a retirement system that gives very long deferred, very large benefits, only if you work through the system for a long period.

In my view, this isn't the best way to design a retention system, nor is it even the best way to provide incentives for retirement. The current incentives provided by the Military Retirement System are essentially no inducement up to about 10 years; a small inducement from 10 to 15 years; a very dramatic inducement from 15 to 20 years, and then a small inducement again, to stay beyond 20 years.

It's time to examine the problem de novo. We should ask how we would design a retention system if we had to come at it for the first time, rather than how we would modify the system we've got. I'm no expert in designing compensation packages; I've studied pension systems but not compensation more generally. But it strikes me that there ought to be systems outside retirement—promotions, cash bonuses, salaries, other forms of inducement—that might be a more effective form of compensation.

I would suggest, then, that this problem be referred to the armed services, but framed in that way. First, let the armed services understand that you know that they have two legitimate concerns. The first is that they ought to have a sensible retirement system; the second is that they need a good and effective retention system.

Second, ask the services to study the problem, and come back with a better formulation of a sensible retirement system, and a separate, better formulation of a package of retention programs that they would like to see you fund. If they do that job well, the total of costs in those two systems could be substantially less than the cost that we have in the current military retirement system.

You might also want to tell them, when you do this, that they can keep some of the joint savings out of those two programs. Unless you convince the services that you are serious about allowing them to fund some different form of retention program, then I believe that the services will persist in the belief that the current retirement system is only safe harbor they have for the only retention system that they know actually works. And as long as the issues of retention and retirement are joined together, the debate is going to continue to be both murky and confusing, and you are unlikely to make real progress at being able to design a more effective system.

No one would disagree that the armed services need some form of effective force management tool with which to attract and retain the qualified people that they need. But the taxpayer should demand that the retention system be operated in cost effective way.

Thank you.

The CHAIRMAN. Thank you, Dr. Leonard. Next?

STATEMENT OF MARTIN BINKIN, SENIOR FELLOW IN FOREIGN POLICY STUDIES, BROOKINGS INSTITUTION

Mr. BINKIN. I should point out after hearing Dr. Leonard's statement, that I want to assure you there was no collusion on our part beforehand, since my statement runs parallel with his.

As an observer of the retirement reform scene over the past 14 years, I wanted to take this opportunity to share a few thoughts about why, after the many studies and the apparent wide consensus that the system needs to be changed, it remains structurally intact. Briefly put, I think there has been an undue preoccupation with cost savings. The military services are understandably gun shy. To them, reform means less. Congress, for its part, appears to have little interest in proposals that do not generate immediate savings. The Retirement Modernization Act, in my opinion, a solid proposal, sat in front of Congress for 3 years in the mid-1970's, before it died in committee.

Had we been willing to forego near terms savings, we would now be reaping large rewards. In a way, the emphasis on cost is understandable, especially in the face of the mounting deficit. But a need to field more effective forces is an even more pressing reason to modify the retirement plan. By emphasizing the importance of a youthful force, and by deemphasizing the importance of occupational distinctions, the retirement system has helped to shape a force lacking the experience—especially in technical jobs—to meet the needs of the modern military.

The accent on youth and vigor that underpins 20-year retirement is a vestige of an earlier era, when the vast majority of troops were serving as foot-slogging infantrymen or able-bodied seamen. In today's high tech military, only 16 percent of all enlisted personnel are assigned to direct combat duties, while close to half serve as techicians or specialists in high skill occupations. Thus, while early retirement may be justified for those who serve long periods in hazardous or physically demanding jobs, it is less so for those who serve in occupations for which youth and vigor are less important than intelligence and experience. The rub is, that under the current system, the vast majority of those who leave after only 20 years or serving in noncombat positions when they retire, and a substantial percentage never served in combat-related jobs.

The oftstated contention that the current plan is important as a significant attraction and retention feature of the compensation system, also invites skepticism. There's little evidence to support the view that early retirement provisions play a major role in attracting new recruits to the Armed Forces. Obviously, at some point, generally at 10 to 12 years of service, retirement becomes an inducement in retaining more senior personnel, but by indiscriminately encouraging service members to seek career status, to serve 20 years, and to retire shortly thereafter, the system perversely insures that the military carries too many of its members to 20 years and too few beyond, all with little regard for occupational qualifications or requirements.

In this respect, the retirement system suffers from the same shortcomings as the overall compensation system. By paying their members across the board, and regardless of occupational area, on the basis of longevity, the Armed Forces inadvertently overpay some and short change others. As a consequence, they tend to keep the people that they can afford to lose, and lose the people they most need to keep, thereby, shaping a work force that's badly out of step with the occupational needs of the military.

Ideally, reform of the military retirement plan should be done in conjunction with an overhaul of the entire military pay system, as Dr. Leonard suggested.

Pay policies should be designed to bring military compensation in line with the nature of the occupation, the job setting, the cost of investment in manpower training, alternative employment opportunities outside the military and the growth potential inherent in each occupation.

Incorporating such pay distinctions into the structure of military compensation would promote the selective retention of skilled personnel and leave the way clear to design a more equitable and efficient retirement plan, geared principally to provide old-age security.

Practically speaking, however, current circumstances are unfavorable for negotiating such comprehensive reform. But the fact that sweeping changes may have to await the development of more favorable bureaucratic and political conditions should not stand in the way of incremental changes that would improve the system.

One of the most commonly discussed and structurally simple expedients, permanent half COLA, would tie the amount of annual cost of living increases to age. Alternatively, instead of imposing such a rigid change on the Armed Forces retirement plan, Congress would be well-advised to consider an approach that would foster the involvement of the military services. Thanks to the recent changeover to accrual accounting, there is now a logical means for doing so, since Congress has been provided with a convenient metric for assessing the adequacy of the military retirement plan.

Instead of getting involved in the details of restructuring the current system, which would undoubtedly involve prolonged committee hearings and floor debate, Congress need only decide on an appropriate ratio of retirement costs to payroll costs. In comparison to the cost of the current military plan which amounts to about 40 percent of payroll, the cost of typical private sector plans, including Social Security, amounts to roughly 14 percent of payroll, and the cost of the Federal civilian plan, about 30 percent.

Once an acceptable accrual rate is agreed upon, Congress could leave to the Department of Defense the task of modifying the retirement system to fit within the ceiling. The armed services, notwithstanding their preference for the status quo, are in the best position to develop detailed changes to the retirement system and to initiate them in an orderly way.

But—and this is important—offsetting measures would be necessary to avoid erosion of the current force profile. Congress should be prepared to plow a portion of the savings back into current compensation to maintain, or better yet, to improve the experience level of the Armed Forces. Whichever approach it chooses to take, Congress should not be blinded by the allure of cost savings and thus lose sight of the implications for military effectiveness. The cheapest retirement plan almost certainly will not be the best retirement plan.

But if cost and effectiveness considerations are carefully balanced, the Nation could field more effective Armed Forces, and perhaps save money as well.

The CHAIRMAN. Thank you, Marty. Bob Hale.

STATEMENT OF ROBERT F. HALE, ASSISTANT DIRECTOR, NATIONAL SECURITY DIVISION, CONGRESSIONAL BUDGET OFFICE

Mr. HALE. Thank you, Mr. Chairman. In keeping with the Congressional Budget Office's [CBO's] neutral status, I'm not here to recommend any particular change in military retirement or, in fact, to recommend a change at all. I will briefly review some of our analyses, and I'll focus, as several others have, on career retention.

Over the past 16 years, as I think you know, there have been nine major studies of the military retirement system, five by DOD itself. All of those have concluded that military retirement is a very important benefit in maintaining career retention. All of the studies have also recommended changes to the system.

CBO estimates that most—not all—of the proposals by those studies—would slow the growth in the number of career personnel; by that, I'm referring to people with more than 4 years of military service. Let me illustrate our results with an example, though I'm not recommending this particular change, especially in light of Mr. Binkin's comments. Let's assume that the Congress decided to provide only half the normal cost-of-living allowance [COLA] to retirees up to age 62 with full COLA's thereafter. Our estimates are that this half COLA provision would eventually reduce the rate of growth in the career force by about 4 percent. I might add that the half COLA provision would also eventually save about $4 billion a year in retirement costs.

A half COLA would slow the growth in the career force, and that is characteristic of almost all of the changes that you're going to look at. But it might not reduce the career force to numbers below today's levels. Over the next 5 years, assuming regular pay raises and no retirement change, our estimates are that the career force will grow by about 4 percent in the DOD as a whole. So half COLA would just offset that growth.

This subcommittee, the Congress, and the administration may well judge, however, that you don't want to slow the growth of the career force at all. Indeed, you heard a good deal of testimony from the service chiefs yesterday, I think, arguing against slowing that growth. Even in that case, changes in the retirement system could lead to reduced long-run costs. For example, CBO estimates that added reenlistment bonuses of about $400 million a year would fully offset the adverse affects on the total career force that would be imposed by the half COLA option. That $400 million compares with about $4 billion a year in long-run retirement savings. Of course, you don't have to use bonuses. You could also plough that money back in other ways—as Mr. Binkin suggested—for example, by improving reimbursements for travel or other things that are a problem to the military.

I want to close by taking note of the concerns that the service chiefs raised yesterday about the econometric models that produced the results I have just described. There is a great deal of uncertainty in any projection of the future, and there are models that produce different results. The models that CBO uses were developed by the Department of Defense. They've been used by the Department of Defense and the services to argue for higher military pay raises; to argue for higher sea pay; to argue for improvements in educational benefits; and in other debates. Thus they have been judged by the services to be appropriate for policy debates. But, in the end, I think you have to realize that there is a lot of uncertainty in these results. You have to take them, temper them with your judgment, and then decide whether to act.

If you decide to act to change the Military Retirement System, I think you can be reassured that, even if the models are wrong and retention turns out to be worse than we would expect, there are many other policies that are available to the Congress, and to the services—such as increasing compensation at particular career points—that can offset these adverse effects fairly quickly, and can do so at costs that are modest relative to the long-run savings that you are likely to get from changes in the retirement system.

That completes my brief review, Mr. Chairman. I'd be glad, after Mr. Bickerman's statement, to answer questions.

STATEMENT OF JOHN BICKERMAN, RESEARCH DIRECTOR, CENTER ON BUDGET AND POLICY PRIORITIES

Mr. **Bickerman**. Thank you, Mr. Chairman. Speaking last, I note that my colleagues have said many of the things that I had wanted to point out. There are, however, a few issues I would like to stress in my oral summary, and have the rest of my testimony submitted for the record.

We know the Military Retirement System is expensive. It is second-most expensive entitlement program funded from our general revenues. On a per capita basis, it has the highest cost of any program that the Federal Government currently funds.

People who receive military retirement are relatively young. The median retirement age is 43. Only 7.3 percent of naval service personnel retire after age 50. Twenty-five percent of current retirees are in their forties and 40 percent are in their fifties. Two-thirds of the retirees are currently working. These are people who generally are not just going home to retire. Quite correctly, the Military Retirement System cannot be considered purely a retirement system.

There are other sources of income that military retirees are able to receive, and in fact, do receive. When we take a look at income distribution, based on Census Department data, we find that 60 percent of the pension benefits are received by the wealthiest fifth of all American households. Eighty three percent of all military pension benefits are directed to the wealthiest two-fifths of all American households. So generally, the people that the Military Retirement System benefits are people who are the most affluent among us in society.

My colleagues today have talked about the accident in history that produced this retirement system. This is largely true. I take issue with Mr. Stockman who has stated that the Pentagon is more interested in trying to protect its pension system than it is with ensuring our national security. This was a system that once made a whole lot of sense. It was a system that was conceived of before the turn of the century and modified after World War I, when we had a much more labor-intensive military. The military had a need to move people out of the officer ranks to make room for younger, more vigorous men, who would be able to lead their men into battle.

At that time, the system was a good compromise. It was a way of recognizing the sacrifice, and rewarding the contribution of men who served in our military. It was a fair and equitable system.

What has happened in the last 20 years is that the demands of the military have changed but the retirement system has not. The military has become, in many jab categories, technologically much more sophisticated. Many military jobs now require increased levels of skills and training to perform adequately. In fact, the military now spends vast sums of money training their personnel to be able to man and equip the hardware that has been acquired. Just a few weeks ago, I recall seeing Secretary of the Navy Lehman talk about $36,000 reenlistment bonus that he was offering Navy fighter pilots. He argued that this was a very good deal for the American public because the Navy was currently spending $1 million to train each new fighter pilot.

What we have today are two functions working in opposition. On the one hand, the military is spending vast sums training people, and offering reenlistment bonuses to retain them. On the other hand the retirement system works quite well at moving people out of the military after a certain length of service. This is inefficient. People who are reaching their peak levels of skill are being pushed out of the military, and it is not only the retirement system, but also the up or out promotion policies and mandatory retirement for certain grades of officers that contribute to the flight of skilled personnel away from the armed services.

For selected job categories men and women will leave the military and seek work with consulting firms. The military then finds itself in the position of having to contract back work from its former employees, but at higher salaries that the military previously had to pay. It just doesn't make any sense.

I would like now to respond to a few of the criticisms of efforts to reform the retirement system. One argument frequently aired is that the retirement system rewards sacrifice, that society owes a great debt to the people who have served in the military. The pension system is sort of a payoff for those people who have served the longest.

I certainly do not want to suggest that we don't owe a great debt to the men and women who have served in our military. However, the military retirement system is a very inefficient way of rewarding sacrifice. Of the vast number of people who really did lay their lives on the line in the Vietnam war, very few of them will ever collect a pension. And why? Because they did not serve 20 years.

People who take on hazardous duty, are for the most part not going to be rewarded for their sacrifice. Only 13 percent of the entering personnel will stay long enough to receive a pension, according to Pentagon statistics.

Mr. **Bateman**. Are we allowed to interrupt?

The **Chairman**. No; wait 'til he's finished.

Mr. **Bateman**. OK.

Mr. **Bickerman**. A second criticism of considering reform is that somebody coming out of the military does not have a financial stake in society. A retiree has been unable to acquire the necessary assets to be able to purchase a home, or establish themselves in a community.

I think that this is a fair criticism and one that we can consider and address as we reform the retirement system. A reform package could provide a partial lump sum payment which would give individuals a sufficient amount of money to have as a downpayment on a house. Yet, such a proposal could also save the Federal Government money.

Finally, I want to conclude with just a few comments regarding the conversations I have been having with people outside of Washington. Perhaps as a result of the attention that the military retirement system has received lately, I have been asked to participate in several call-in radio shows. In addition, I've received numerous letters.

The most striking aspect about the response to the effort to reform the system is the real ground swell of support that exists outside of Washington for reform. And I am referring to people who are serving or who have served in the military. Some people have called into these shows or who have written me letters, have said, "You know, I served in the military, and if we have to make some sacrifice to bring down the deficit, maybe it's time to look at the military retirement system."

Let me present two examples and I would be glad to answer more questions about this in the question and answer period that will follow.

One person called into a show in San Antonio. He said to me, "I took a second job after leaving the military. I took a job that has paid me fairly well and that increases every year with inflation. The COLA that I received from military retirement I really don't need as much because the annual increase in pay from my other job more than makes up for military retirement COLA's. His suggestion was to look at ways to revise the COLA.

Another gentleman who called in to a show that I did in Denver, said he retired as an E-7. He said his father retired as an officer. Every year, they would both get cost-of-living adjustments. He receives about $12,000 from his pension while his father receives about $25,000. His last COLA adjustment increased his check about $40 a month while his father's COLA increase was more than double. He asked me, "Why is it my dad's getting so much more?" He says his father doesn't need any more money to buy food, or to make up for the cost of living than he does. This retiree's suggestion was to reduce the cost-of-living adjustment for those persons who are receiving more liberal pensions.

But more generally, I was startled by the number of people who are retired military who were saying, "Yes, I've got a very generous benefit and maybe it's not fair. Maybe I am getting a little more than I need. And I'd be willing to consider some changes."

I don't want to suggest that what we ought to do is pull the rug out from under anybody currently receiving benefits or about to receive benefits. Clearly, there are going to be people, who after serving 20 years in a boiler room on a ship, are not going to compete effectively in the labor market. They are less likely to find another job, and will depend on the retirement system as their sole source of income. To those people, we need to protect the system and provide a benefit that guarantees a standard of living that is adequate. But for the two-thirds who are working or who will take jobs upon retirement there are certain changes that we can make to restructure the system that can save the Government money immediately, and also make the system more efficient at retaining the personnel who are skilled and trained. And needed by the military.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, and thank all of you for your opening statements. Bud Hillis.

Mr. HILLIS. Thank you, Mr. Chairman. I want to thank the panel for appearing here this afternoon.

Am I accurate in my assumption that perhaps none of you have hands-on military experience. Have any of you ever served in the military service?

Well, that's interesting that you have. I couldn't tell whether you had or had not in your statements so you do have some firsthand experience. I would like to say to Mr. Bickerman, my impression is, and you may correct me if I'm wrong, that the present system came about as a system of reforms after World War II, not World War I, and it was based on the fact that prior to that time, the military found itself entering World War II with a very old age officers for—many of whom were approaching then years of retirement in 1965, who really blocked the way for the ascension of those who became the major leaders in World War II.

For example, General Eisenhower of the Army, was at the opening of World War II, was a lieutenant colonel, and so was General Patton, whose course had been pretty well fixed there because of the retirement system that was in place. Now, you all offered a lot of good thought here. The military as I see it, is something that's unique. It is hard to compare apples and oranges, and when you talk about the military service compared with working for IBM, AT&T, an academic institution, or wherever we find employment in the civilian sector, it's very hard to compare. There's some tangibles and yet there's some intangibles.

Separation of family, you all talk about the low number of percentage people who serve in hazardous jobs but the Chief of Staff, yesterday, I think it was Admiral Watkins, cited a statistic that someone who puts in a full career, some 85 percent of those put in full careers, at some time draw hazardous duty, combat pay, something of that kind.

Maybe that's a small number; you say only 13 percent reach retirement, but over a military career, more than just 13 percent are exposed to some sort of hazardous duty.

That is, in our opinions, as we sit on this side of the desk here, one of the reasons I guess, that the Military Retirement System may be different than that that's implied in the civilian sector.

However, I found from all of your statements, certainly food for thought in addressing the system. The basic question of the system is the retirement system an effective way to manage the force and I think you all more or less would say that the present system, in your opinion, is not? Is that a fair statement going down the line? Or would somebody wish to comment?

Mr. **Hale**. I don't want to say that, Mr. Hillis. As I said in my opening remarks, I'm not here to recommend any particular change or any change at all, given CBO's neutral status.

Mr. **Hillis**. How about——

Mr. **Bickerman**. I think it's a fair statement of my position.

Mr. **Shapiro**. That's not what I said.

Mr. **Hillis**. That is not—what, how do you view it?

Mr. **Shapiro**. If we were doing this for a major private sector company, which is what we do for a living, we would not go in there and presuppose the objectives of their total compensation incentive benefits or other attraction, retention and motivation systems. We would hopefully very objectively speak to senior managers, get a context from them of the kind of employees they feel they need now, in the future, and work with them in designing reward systems to accomplish that.

My problem from some of the testimony this morning is, although some of these gentlemen came to a similar conclusion, let's go back and find out what they need. They did it by polarizing the issue. It's not clear that it's an effective or ineffective way, this retirement system, as one of the only elements of compensation, motivation in this package for whatever results the military feels it needs in its work force, and maybe I'm just not as knowledgable as my colleagues here, as to the needs of the military and its work force.

But when I walked into GE, having still researched their company, I still don't presuppose what their work force needs are either. We elicit from management what it would be, and help them design systems that do that.

Mr. **Hillis**. Do you envision—you might see a pie up there representing total compensation from the time a person enters force to the 20 year mark, you would say that pie might be the same only divided into different amounts?

Mr. **Shapiro**. That's unquestionably in my opinion the appropriate approach, and I think to some extent, part of your roll is defining the size of that pie, and you know, as looking as a large company, what can we afford for our total compensation line. That might be the role of the board of directors, while the management within the company might figure out the best way to appropriately slice that pie to attract, retain, and motivate the work force that it feels it needs to accomplish those goals, and has to—and done objectively.

Mr. **Leonard**. Can I just comment on that point as well? I think you framed the issue exactly right. I think the military is different than any private sector organization. And therefore, I think comparisons between the Military's Retirement System and private sector retirement systems are largely irrelevant to this issue.

I agree with my colleague that it's appropriate for this committee to think about what the level of compensation ought to be for the kinds of valuable services that we receive from the armed services. That, however, is not an argument for structuring that compensation system in an inefficient way. I would be amazed if the right way to provide incentives to people for this particular kind of job was to reward a small fraction of them with 10 year's salary for crossing a particular experience boundary, 20 years, which is what the current system does.

The current system is an historical accident, not a carefully crafted proposal of the kind my colleague would be sure to design. If you started from scratch, and asked what kind of retention do we want, who do we want to have in, how do we want to keep them, I would be absolutely astounded if the system you came up with is the system that we have.

Mr. **Binkin**. I might add, too, that among the nine different study groups that have examined the system over the last 16 years, there's an amazing consensus. Many of the groups were composed of military officers working inside the Pentagon, including the most recent fifth quadrennial review. While they differed in the ways they would get at the problem, they all recommended that the system should be changed, and in large part, because it's inefficient and inequitable.

I an not advocating that we reduce total compensation. My feeling is that current compensation expenditure is about right to maintain the current military forces. I would argue that if a smaller part of that compensation was in retirement and more of it moved up into the current pay line, we would have a more effective force. I would rather see compensation allocated more efficiently to give us a more experienced force. Senator Goldwater and others have spoken recently about the need to retain more people beyond the 20-year point. I think that can be done without spending more money.

The CHAIRMAN. Sonny Montgomery.

Mr. MONTGOMERY. Thank you, Mr. Chairman. Mr. Hale, you were talking about incentives when a military person to keep him further in the service after 10 years, or 8 years, and you mentioned several items. When we were drawing up the GI education bill, and we went out and talked to the services, I'd never heard of the idea, but we were approached by the Navy and the Air Force, of transferability, of taking their benefits and transferring them to their children, and a number of people told us that that probably would have kept them in the service if they knew that their children would have an educational chance.

And I just wanted to put that in the record that since we have a GI bill, how, we might look at the transferability; it does have some money, and I think as we look for more quality and quicker learners in the service, it's certainly those persons who would be looking for more educational qualifications of benefits.

I see most of you agreeing with me and I appreciate that. Who would like to tackle the question of——

The CHAIRMAN. Try them, Sonny, before you hang them. Maybe they have something to say in their defense.

Mr. HALE. Well, Mr. Montgomery, I think you're in a good position to insure that it's carefully considered. And consideration is certainly a fair thing. As you know, and I think CBO has testified to this earlier, transferability is expensive because you would transfer benefits to a large number of people who would remain in the service. Thus transferability may not be particularly cost effective, but it would keep some more people in the service.

I might add that the services have made estimates of the effects of transferability using the very econometric models they are loath to use to make estimates of what would happen under retirement.

Mr. MONTGOMERY. Well, thank you very much.

Mr. LEONARD. I think, once again, that you framed the issue in the right way. The question is, given the amount of compensation, whatever it is, that we choose to give to the armed services, what is the way in which we can give it to them that is of the most value to them? All we're trying to do is to attract the highest quality group we can and retain those that we want to keep.

You're looking for ways to tailor benefits to particular kinds of recipients, using what you know about what they want to provide money to them in an efficient way. That's the kind of bargain you ought to be trying to strike with recipients, and my argument against the existing system is that it does precisely the wrong set of things to do that. That it's long deferred and risky and so on. Looking for other benefits which are directly valuable, is, I think, much more likely to be successful and useful when you draft the policy.

Mr. **Montgomery**. The reason that I maybe was a little quick on the witness is that I don't usually get these good of answers that I reckon for sometimes on the education proposals and I appreciate what you just said.

Anyone could answer this question. As a private individual, which has the best retirement, the Civil Service Retirement System, or the Military Retirement System? If anyone's had a chance to observe and their opinion, I'd like to hear that.

Mr. **Shapiro**. The military retirement system is more valuable than the Civil Service Retirement System. We have studied that recently.

Mr. **Binkin**. I think the main reason that's true is because that the military person collects the annuity for a longer period of time. The typical retiree leaves in his early to mid-40's and can expect to collect his retirement benefits for more than 30 years.

Mr. **Leonard**. I have also looked at both the military and the civil service retirement systems. And an easy way to characterize the cost—or, if you like to think of it that way, value to the recipient—of these systems is by the entry age normal funding rate, the fraction of salary that you would have to be putting aside in order to fund these benefits.

The funding role for the military system, according to the figures that I have developed, is about 60 percent of base pay or about 42 percent of regular compensation. The civil service system is about 36 percent, of which 7 percent is contributed by the employee. The Government contribution to the civil service system is about 30 percent, and to the military system it's about 42 percent.

Mr. **Binkin**. I think that's a little high. According to the Pentagon actuary, the normal cost of military retirement is now about 51 percent of basic pay. If you consider total salary, it's down around 35 percent, and if you put Social Security back in, which some people consider a part of the retirement package, it's up around 40 percent.

In contrast, on a comparable basis, the civilian system is roughly 30 percent and good private sector plans somewhere in the neighborhood of 15 percent.

Mr. **Leonard**. The discrepancy is simply that I have less optimistic economic projections than you do.

Mr. **Montgomery**. Thank you.

The **Chairman**. Tommy Robinson.

Mr. **Robinson**. Thank you, Mr. Chairman. My first question I'd like to ask Mr. Shapiro. Yesterday I posed a solution, an idea that I have to start a process of alleviating the burden that we have in the military retirement system and the proposal was that we should raise the minimum retirement age for the new enlistees to 55 years of age.

I proposed that to the broken record crew yesterday, and one simply stated that raising the retirement age the minimum age to 55 would cost more money. I laid awake last night thinking about that. That is, if one retires at 40, and is the beneficiary by a good indexing system, my question to you is, how could it cost more money if we raised the minimum retirement age to 55?

Now, I listened, although the over-50 gang can't climb to the top of the mountain as quick as the 40 year old, but would you please explain to me how that would cost more money? Or why it would?

Mr. **Shapiro**. It seems to me that raising the retirement age has to be a less expensive alternative, since the period of payment is obviously shorter, the life expectancy is shorter. The only thing I can think of is perhaps some additional benefits would accrue to age 55, under the formula and become more valuable in the time span in between. It just doesn't seem like that would happen. It seems like it has to be less expensive.

Mr. **Hale**. Mr. Robinson? Can, can I add to that?

Mr. **Robinson**. I was going to get to you in a minute, but go ahead.

Mr. **Hale**. Would you like me to wait?

Mr. **Robinson**. No, go ahead and answer it.

Mr. **Hale**. I think it would be cheaper, without question, to have a system that delays retirement. I would caution you, however, that it might not lead to a more senior force, although that seems counterintuitive. If you extended the retirement to, say, age 55, many more reaching 8 to 12 years of service would probably get out because benefits are far off. That would decrease the numbers of career personnel of those who stay for 20 years of service, more would stay to age 55. But the net effect of extending the age might be a force which, on average, had fewer years of service. On sum, such a force would almost certainly be cheaper. But it might not be more senior, unless you did other things like offering some kind of bonus or early withdrawal payments to counteract the delay in the time when retirement benefits are available.

Mr. **Robinson**. Thank you. Mr. Leonard, would you mind explaining to me, and hopefully for the committee, what you mean by a $500 billion unfunded liability in a military retirement system?

Mr. **Leonard**. Yes, that figure is based on an assessment of the annualized cost of the military retirement system, and it asks the question, given the people that we currently have in the system, how much should we have already put aside that we have not put aside, to fund the retirement benefits for those people.

So, it's an assessment of how far behind we are in funding the retirement of those who are currently employees of the system. I think of it as similar in character to a part of the national debt.

If you believe that the current system will stay in place and that we should or will honor the implicit commitments we have to people who are in the system, then if you wanted to have enough money in the bank today to be be able to pay for the accumulated benefits already earned, you would need $500 billion in the bank. This figure gives taxpayers some idea of their liability under the retirement system.

Mr. **Robinson**. Thank you.

Mr. **Shapiro**. Could I respond to that? It's an actuarial calculation done in the private sector exactly as described and ERISA requires the amortization of that, the purpose of protecting the employee from the involvency of the future company—of the company in the future. Basically, if the company goes bankrupt, there would be an issue of who would pay that money; it's that one-half trillion dollars unfunded liability and a similar one in the civil service retirement system is really an irrelevant calculation. In this context. Since the solvency of the employer is not in question, and if in fact, one took this to its extreme, the unfunded liability of the Social Security System is $6 trillion, some 12 times the size.

There's no purpose to even consider funding such a number; it's only relevant if the solvency of the underlying company is in question. And if anything happens to the Government, there would be much more serious issues with the unfunded liability of the military system.

Mr. Leonard. I agree that it is——

Mr. Robinson. My time's just about up, and I have one quick question for Mr. Hale. I know it's up but I'm going to ask one more question, thank you.

Why cannot we come up with pension system for all Federal employees, a cost-effective system and compensate our military people in some other way that would also be cost effective. If you could just briefly answer that, I would appreciate it.

Mr. Hale. A pension system, and the rest of the pay that goes with it, has to be enough to attract and retain the people that you need; it should also do so at minimum cost. The military wants a fairly different profile of people than the civil service. We could argue over whether military personnel can function effectively at age 55 or not. I don't know. I'll not enter into that debate. But I think most would agree that you probably do want a more youthful profile in the military than what is in the Civil Service. So you probably do want a different pay system and quite likely, a different retirement system.

Mr. Robinson. You're changing my pension system, and hopefully, I will retain my status.

Mr. Hale. No sir, I'm not recommending changing anything.

Mr. Robinson. Right, right.

Mr. Hale. It's ours incidentally, Mr. Robinson.

The Chairman. Mr. Hunter.

Mr. Hunter. Thank you, Mr. Chairman. Gentlemen, it appears to me—and particularly, Dr. Leonard—in listening to what you had to say, it appears to me that you're missing one of the subtle differences between the military community, if you will, and the military activist. In the general American community, I noticed you commented about the fact that you have this dateline or this distance that you have to travel, and if you get over it, you get the big prize. You get the 20-year retirement and at least the implication that I read was that if you didn't have this, if perhaps you paid people more as they went along, you'd be compensating them more efficiently, they would appreciate it more, and perhaps they'd end up with more if they were wise investors.

And I think that coincides with what Admiral Watkins said yesterday. He talked about having no estate; military people build no estate while they're in the military, implying they don't have enough money to really invest.

You know, today, especially with in this new era of instant communications, a great many Americans—in fact, I would say most Americans who are still working, are becoming investors of sorts. I mean we have TV shows that are dedicated to how you invest your money. You have the enormous advertising by the commercial interests that handle investment.

And every American is becoming somewhat of an expert or most Americans are becoming somewhat of an expert on investments. And the average guy on the street says by gosh rather than pay in that social security withholding. I would much rather have the money and I would put it in the IRA or do something else with it. Buy the bonds or the silver or the gold, and build an estate.

But you know, the military is a little different in that they don't. They, No. 1, are thrown into a life that's somewhat unstable; I'd say marked by instability.

Often the instability is domestic instability. They have, you know, the guy who goes off on the cruise for many many years, or many many months, sometimes years, in the Navy without having much time to see his family, sometimes has family crises that you don't have otherwise, so the whole idea behind the retirement system, in my estimation was, you're throwing a guy around the world; he's basically at the mercy of the military. And he knows this: he knows when it's all over, he's going to get something good and it's going to be there, and I analogize it to the GI bill. We've talked about replacing the GI bill with just a solid pot of money, and I can tell you, as a guy who used to drive out of Fort Benning when I was going to jump school there, and you had Joe's car lot right at the edge of the fort, the guys that drove off with the $2,000 or $3,000 or $4,000 bonuses didn't get far past Joe's car lot, and pretty soon they were driving off into the sunset in their new Ford Mustang.

Now, if they had had the opportunity to have taken that GI education money, and I got, incidentally, $10,000 out of the GI education bill, so I disagree with you that the vast amount of Americans who serve 2 or 3 years, don't have any don't get a reward for it. We did get a reward, but if we had that money up front, it would have been gone. I assure you that I would have had no GI education money, so I go back to your question then—your statement— and this is my question.

Do you really think that if we paid heavy up front, higher salaries, higher bonuses and let them basically fend for themselves as far as building an estate, do you think we would do them a service? And I would address that question to Dr. Leonard?

Dr. LEONARD. I think you raise a legitimate concern, and that it all depends on the form in which you pay those benefits. A natural way, if you are concerned that people will not do as much saving as you would like them to do, would be to set up incentives for them to save by offering payments in the form of a matching fund for a retirement account.

Mr. HUNTER. Let me, let me halt you right there. We did the same thing with the GI bill. It was called VEAP and Sonny Montgomery was very familiar with it. We said that we're going to do away with the old GI bill; we're going to set up a pot here, and if you've got young guys who'll just put in $100 a month, we'll double it. And you know how much participation we had?

I got the poll back from my district in San Diego which has more young Navy guys than any place in the world, probably, except Mr.

Sisisky's district. I had something like five people who had gone into the VEAP program so the doubling or the incentive thing still doesn't work. When you got the Ford Mustang to buy, or the wife wants the money for something, it's going to be gone, and I can tell you that just from being a GI and watching the course of human nature, so my question, once again is, do you really think we're doing these folks a service?

Mr. LEONARD. The extreme form of that proposal, sir, would be to give them all of the money that I'm proposing to give them during the time that they work, in the form of funding or an IRA account, or a Keogh account for them, so that you don't permit them to waste money. If you don't believe that they'll use discretion correctly, that's not a reason to wait to pay them; it's a reason to pay them in a form in which you determine how it will be spent.

For example, you might determine that it would be put away in a retirement account. You're perfectly at liberty to devise the system that way, if you think that's the most effective approach.

Mr. HUNTER. So you're essentially saying, you're going to control their money for them and make sure that they don't fritter it away, and in a way that's the essence of —and I'll give my time back to the Chairman—but that's the essence of the retirement system today, is that we're holding that off and they're going to get it when they finish up.

Mr. LEONARD. No sir, you said that was what you said you wanted to do. I'm just trying to propose a way to do it without the mistake that we're making now.

Mr. BICKERMAN. Mr. Hunter. You addressed the whole question of a stake in society and being able to acquire that stake. One of the basic recommendations of the quadrennial review of military compensation's was to say, lets give retiress some money up front. Let's give them a stake of tens of thousands of dollars, that they can invest in a house or in other investments. You could provide this lump sum payment and at the same time the monthly pension benefit. Under the QRMC's proposal, the Federal Government saves money.

Some carefully thought out suggestions, tested econometrically, demonstrate that the military can retain, and it addresses your concern, and still save the Federal Government money.

Mr. HUNTER. I didn't—I know my time's up—but I don't understand, what are you telling me? Are you telling me that you can spend their money more efficiently for them? Or we should give it to them earlier? Or what?

Mr. BICKERMAN. You can structure the retirement system so that instead of providing a benefit over the next 40 years at a certain level, you would reduce the monthly payment and give retirees a larger amount of money up front at the time they retire—enough for a downpayment on a house. The Quadrennial Review looked at this and concluded that providing a lump sum at retirement with reduced monthly payments was equally attractive to future retirees as the current system. Yet this proposal would save the Federal Government money.

Mr. HUNTER. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Mr. Bateman.

Mr. Bateman. Thank you, Mr. Chairman. I'd like to say, first off, that the panel has been very helpful I think to me, in framing the issue. I can't say that you've helped me a whole lot in resolving how the issues or frames should be determined.

And I think we need a great deal of assistance in that regard. Specific question, I believe it was Mr. Hale that made reference to the econometric models. Are all of the branches of the military services under the DOD umbrella using the same econometric model, or do you know?

Mr. Hale. No; there are a number of these around. I don't want to imply there's a single one. The one that was used by the fifth quadrennial review, which is also the one that we've used, is estimated separately if you will, it has separate numbers for each service.

But there are alternative models, and once again, that you're going to get a range of answers here. I think that reflects honest uncertainty about the future. Unfortunately, we're going to have to face it.

Mr. Bateman. How much of one's judgment would be affected by the, oh, validity of the assumptions that go into the econometric model?

Mr. Hale. That's a hard question. I wish I could quantify our results in some way and indicate that. For example, with 90 percent confidence we are right. I don't think we can. We have not made major changes in the Military Retirement System in the past, and analysts can only use history to project what will happen in the future. So there is a great deal of uncertainty.

I would reassure you again, however, that if you change the systems, based on models and a lot of other things that you are going to hear about and it turns out that there is more of a mass exodus than we would expect from the models that we have, then you can correct the problem. Moreover, the cost of bonuses or other pays that offset the exodus are likely to be modest in relation to the savings you would achieve from retirement, and the bonuses or other pays would offset the exodus fairly quickly.

Mr. Bateman. I hear each of you in effect I believe saying that the retirement program for the military is a part of the total compensation benefit package and that what we're looking for is that which will most favorably impact upon maintaining the levels of strength we need where we need it.

All right, reference was made to some 6 or 9 studies, of the military retirement system, most of which recommend some changes. Do each of the studies recommend changes that thrust in the same direction, and could you tell us what the thrust of it is?

Mr. Hale. I think they do. There were nine major studies and a lot of smaller ones as well. They all tended to recommend reduced benefits for those who retire with 20 years of service. Most of them recommended some provision of benefits for those who leave with fewer than 20 years of service. Ten years was a common time, and 5 years in some cases. The studies tended to disagree more on issues like Social Security, integration, and the like.

I should add that the latest major study the Department did, the fifth quadrennial review, stands out. It did not recommend vesting of benefits for those who leave with fewer than 20 years' service. It did recommend lower benefits for those who retire with exactly 20 years of service, but only if accompanied by a cash payment for those reaching 20 years of service. It's fairly different than the other eight studies indeed, the most different, I would judge.

Mr. **Bateman**. Has anyone written a reasonably brief analysis of the various studies and their recommendations?

Mr. **Hale**. My colleague, Dr. Singer, did so in a recent report that CBO published. It's an appendix to his report. I don't know how brief it is. The plans are complicated; I apologize for that. This is not a simple area. I characterized the plans for you briefly, but when when you get down to the details, they are mind-numbing in their diversity.

Mr. **Bateman**. I would appreciate seeing that work——

Mr. **Hale**. We'll send it to you.

Mr. **Bateman** [continuing]. That does the comparative analysis of the various studies and their recommendations. Thank you, Mr. Chairman.

The **Chairman**. We have a vote on. I will suggest if anybody's still interested in asking questions, we come back, we take a 10-minute break, and we'll be right back.

[Whereupon, a brief recess was taken.]

The **Chairman**. The hearing will come back to order please. Marjorie Holt.

Mrs. **Holt**. Thank you, Mr. Chairman. I'm very concerned about the subject of our hearings today, because I think that ultimately what we're trying to do is to find a package of compensation that will produce—as so many of you said today—will produce the kind of recruits and the kind of retention that we want and the quality of military that we want.

And I really haven't heard anything or any of the studies that I've seen, that will demonstrate to me that we will save a lot of money, if we make changes. It seems to me that there is always that contingency that we're going to have to—if there is turbulence, that we're going to have to resort to bonuses or something else to correct it.

And so I really haven't had any real strenuous allegation that we're going to save a lot of money by doing this. I think that too frequently we compare the military to other methods of other occupations, and I think that we can't really do that. And what does stuff mean. When you listen to General Wickham and Admiral Watkins and the people who deal with this problem constantly, I can't believe that they are selfish enough that they're you know, they got their retirement locked up, it seems to me that they are really managing people and that they express some real concerns about the turbulence that we will create if we do this.

I guess my question to you is, do any of you really feel that we can save an appreciable amount of money by reforming the retirement system? And if we can't save it, what's the purpose of doing it. We—you know, it's working now; we're meeting our quotas. We're right on the edge of demographic changes that are going to make it very very difficult to recruit and retain the kinds of people that we need in this high technology area, so I really think that we're playing with fire when you talk about changing it.

Would any of you care to respond to that? Do you think we can really save money? Do you have any concerns about the turbulence that will be created?

Mr. BINKIN. I'll take a stab at it. As I tried to point out earlier, one of the common denominators in all the studies that have been done has been an emphasis on cost savings. There's a lot of documentation to show how much money would you save, including the half-COLA option. As Bob Hale said, in the long run, savings amount to over $4 billion a year.

At the same time, the value of the retirement benefit to the average retiree will be reduced by 25 percent. So to maintain the same force profile, some of that money will have to be planned back into the payline. Reasonable people will disagree about how much you have to plow back in, but on net, I don't think anybody would disagree with the fact that you would probably save money.

The thrust of my comments were that a case can be made for altering the retirement system, even if you don't save any money, in order to get a more effective force. I'm not satisfied with the force we have today because we're lacking experience in the high skill occupations—experience that could be filled with people who upon reaching 20 years of service now have an incentive to leave.

Mrs. HOLT. OK, that's the message I got from the testimony today, is that maybe we would have some cost savings but in every one of the studies, you've got to provide something else. I mean, if you cut back on the retirement you've got to put it someplace else. And so the thrust of the testimony, it seems to me, is that let's improve the military and I'm inclined to trust Admiral Watkins who has been dealing with personnel all his life, and General Wickham, who is certainly a dedicated military person, in saying that we've got to find this military today, that we've had for 30 years, and it's really working.

Well, now here on this committee now, you can smirk if you want to, but here on this committee, we have seen a real change in the testimony that we're hearing from the people in the field, about the improvement in the military the mental categories, the quality of the people that we're getting.

In the Navy, the people are able today to man the ships and 4 years ago, they weren't saying that. They were pleading with us to improve the benefits so I'm inclined to trust them since they have had that kind of experience, and it makes me really wonder, unless you can really show me some tangible improvement?

Mr. BINKIN. If we have the finest military today, and if retention is high, then those are interesting points in the face of the fact that the value of military retirement has been cut by something like 20 percent over the last 4 to 5 years, first by removing the 1-percent kicker in COLA increases, and then adapting the high 3 rule.

So it seems to me that if you were going to have a mass exodus, and I think that was Admiral Watkin's term, if you diddled with the retirement system, we would have seem some evidence of that. Congress has diddled with the retirement system, to the tune of reducing it by 20 percent and we haven't seen the effects on retention.

Mrs. HOLT. Well, I don't think that we really had any effect on the basic retirement system. I mean, COLA's and all these other things, are things that we have added after the initial contract was made with the military personnel, so I mean, you can argue about whether we should put out the COLA's. I think we really got carried away with those in every area in the Federal Government.

But I'm talking about the basic military retirement provisions that we have made, it seems to me that that is working, that we are producing the kind of people that we need today, and unless I would see some great savings and without creating turbulence I'm not convinced.

Mr. **Hale**. Can I add one brief comment. Of all the nine studies that have been done, the smallest savings—that is after all the adjustments were made—was in the most recent study, the fifth quadrennial review. That study found savings of about $1.7 billion a year in the long run, if I recall correctly. Many of them found larger savings.

Thus, there has been a consensus that there would, in the long run, be savings of that magnitude or greater. I think you have to judge whether the inevitable risk that comes with changing any system is worth those sorts of long-run savings.

Mr. **Leonard**. Could I comment on that too? I trust the chiefs of staff as well. I think they do have a sense of what the best kind of retention system they might be able to use would be, and I don't think that if they started from scratch that they would design this one. This just happens to be the one that they have. Their problem is that they're worried that if the retirement system is opened for debate, that they will simply wind up with less money, not with the kind of freedom that I think this panel is arguing that they should be given.

My question would be, if we do trust them to design the most effective military force we can find, for the least money, why do we constrain them to use as a retention device an inefficient, outmoded, and anachronistic system that was designed, in substance, right after the Civil War? That seems to be an unnecessary constraint on their freedom to be able to figure out who they want to keep and what sort of bonuses and other systems they might use to keep them.

The **Chairman**. Charlie Bennett.

Mr. **Bennett**. If we now are experiencing a degree of euphoria about the retirement, unless you're going to make some very great improvements with regard to the morale of the people or a tremendous savings without hurting their morale, it seems to be a negative thing to approach this.

And there are a number of points that I'd like to make: one of them is that military men don't really totally cease being military men when they leave the service. They have the ability to be recalled, and they can be and often are recalled. There are lots of retirees that are now working at the Navy. They're running ships.

There are hazardous other professions like firefighters policemen, CIA, Secret Service, they also get special attention because of the hazard in their life.

And another point that was made here, that I'd like to address, is you seemed to think there was some inequity, because persons that served a short period of time was in grave danger and maybe was hurt in combat and you think that's an unfairness with regard to other people. I heard that expressed, and that's when I tried to interrupt.

But of course, we have a very good veterans' pension system; it's reasonably generous actually, and I assume you're not going to abolish that system? And that's what it's for.

The retirement is for career people. It seems like to me, at the end of these hearings, we ought to, if we're going to come out with something, we ought to come out with something and thoroughly publish it, if we if we're going to have something, and then have reaction of enlisted men as to how they can see this in their own, how they perceive it; is the thing being helpful to them, or not?

Now, I want to ask one question, after all those statements I've made, and that is don't we now have a system which gives you more benefits at age 30, year 30 than at year 20? I thought we did, and you seem to be talking as if we did not?

Does anybody want to answer that?

Mr. **Leonard**. We do have a system that gives you more benefits at 30 years of service. You get 75 percent of base pay at 30 years, and you get 50 percent of base pay at 20 years of service.

Mr. **Bennett**. Well, who do you—somebody approached it kind of negatively and said they ought to get less money at age 20. Well, they do get less money at age 20, at period 20?

Mr. **Leonard**. I said that the incentive to stay in past 20 is——

Mr. **Bennett**. Well, there isn't any incentive to stay in past 20 to get——

Mr. **Leonard**. Yes; there is. There's an incentive; it's just much smaller.

Mr. **Bennett**. What do you mean, much smaller?

Mr. **Leonard**. The incentive to stay past 20 is much smaller than the incentive to stay to 20 years.

Mr. **Bennett**. Well, unless you stay to 20, you get nothing at all. I think the incentive would be pretty heavy if you were——

Mr. **Leonard**. That's exactly the point.

Mr. **Bennett**. Sir?

Mr. **Leonard**. That is exactly the point. The current system works as a very large bonus for crossing the 20-year boundary and then smaller bonuses in each year thereafter, up to 30 years.

Mr. **Bennett**. Another thing that you seem to be glossing over, you seem to be suggesting that we should change our system, not only adversely for those who have achieved retirement, but you also seem to be saying that people short of 20 should get some very substantial cost. Well, to me, my guess is, if you gave people at year 10 this opportunity, there would be a lot of people go in the Service for that, and would get—you'd be billions and billions and billions spent on them, so what's your answer to that?

Why are you suggesting that?

Mr. **Leonard**. I'm suggesting that given how much you choose to pay people for being in the military, that the way to do that is not by a very large bonus at 20 years, followed by smaller bonuses thereafter. If you want to induce high quality people into the military, why do you make them wait 20 years in order to start getting the benefits?

Mr. **Bennett**. Was that based on your conception? Are you a military man? Did you serve?

Mr. **Leonard**. I have not been in the military. I am from a military family.

Mr. **Bennett**. You're from a military—well, but you don't have the advantage of hearing your military family, but wouldn't you think your military family would feel like that there is a feeling that the retirement system's pretty good?

Mr. **Leonard**. They definitely think the retirement system is very good.

Mr. **Bennett**. So you really want to reduce it?

Mr. **Leonard**. But I really want to reduce it? Are you asking me?

Mr. **Bennett**. That your testimony is really to reduce the retirement system?

Mr. **Leonard**. My statement is that we should make the retirement system more efficient; it is up to those who set the total compensation policy for the Defense Department to figure out what the total level ought to be. I've made no comment here that would say I want to cut military pay or raise military pay. I'm only suggesting that if you want to think about military compensation, you should present it to people in the most efficient way possible.

Mr. **Bennett**. What's wrong—what's inefficient about our present system?

Mr. **Leonard**. What's inefficient about the present system is that it works as an incentive only for the people who are going to stay to 20 years.

Mr. **Bennett**. Why isn't that a good system?

Mr. **Leonard**. Well——

Mr. **Bennett**. Since, on the whole, you want people to stay 20 years, why isn't it a good system?

Mr. **Leonard**. Well, if that were exactly what we wanted and——

Mr. **Bennett**. Well, it is exactly what they want. Why do you think it's not?

Mr. **Leonard**. It seems to me that the notion that those who designed this system shortly after the Civil War knew ahead of time that that was exactly what we would want today——

Mr. **Bennett**. You mean, because it's old, it's therefore bad?

Mr. **Leonard**. Excuse me?

Mr. **Bennett**. Would you apply that to people?

Mr. **Leonard**. No.

Mr. **Bennett**. My time is exhausted. And so am I.

The **Chairan**. Mr. Bustamante.

Mr. **Bustamante**. Talking about old. Let me ask you, you've seen too—most of you are familiar with the Grace Commission's Report and the fact that their central point is to move up the age of those retiring? Is this correct? What about in the pilot area? I'm concerned that pilots and some other specialty areas? What would we do there? What is your recommendation there?

I come from the San Antonio area, and Mr. Bickerman, I haven't had any volunteers come forward and say, change the system. And we have a large retirement group in the San Antonio area.

Mr. **Bickerman**. I mentioned previously that I had the chance to do a radio show in San Antonio. I was surprised by the number of people who called in and came forward and said, that the types of changes that we were talking about on the show seemed quite reasonable.

Mr. Bustamante. Was that WDAI?

Mr. Bickerman. Excuse me?

Mr. Bustamante. WDAI?

Mr. Bickerman. That was it.

Mr. Bustamante. I can understand why. Some of those people will volunteer for anything, you know, that you propose to them, and phone in WDAI. Some of them will agree with you in many areas. It's a casual listening audience, very widespread, but you know, some of them will go along with what you say. I've been on that show many times.

Mr. Bickerman. Many did. But, Secretary Lehman's idea of a large reenlistment bonus for Navy fighters, makes sense to me. It makes more sense in terms of retaining people than a retirement system in which the incentive for staying is so far removed. There is a fair amount of evidence that indicates that the retirement system does not have any real retention effect until between about 8 and 12 years of service. In terms of incentives for persons to enlist, the retirement system is way down the list of items a young person considers when he or she decides on a military career. It has a bigger effect after 8 to 12 years of service.

Mr. Bustamante. Let me stop you there. Then the Grace Co., I understand, has a very generous retirement system. Why would you think that they would have a very generous retirement system?

Mr. Bickerman. I do not want to defend the Grace Commission because I have many concerns about much of the work that they have done, not only in this area, but in other areas. However, if you do compare their pension system, I don't think that you will find it is anywhere near as generous as the military retirement system. The military retirement system is much more generous than the Grace Commission pension system.

Mr. Leonard. May I comment on the Grace Commission issues, because I——

Mr. Bustamante. Yes sir.

Mr. Leonard [continuing]. Because I think you touched on a very important point. The Grace Commission review of military compensation and basically of the retirement system seems to me to be the least useful of the major studies that have been conducted over recent history.

What the Grace Commission did, effectively, was to propose a 95-percent cut in present value terms. A 95-percent reduction in benefits. They argued that there might have to be some changes in the rest of the military compensation system to make up for the impact of that cut on retention. But they included no money in any of their proposals to pay for additional retention efforts—they allowed for no offset to their cost savings, in any of their proposals, to fund that additional retention.

I think it is not only unlikely, but unimaginable, that a cut of that magnitude in military retirement benefits would not have a dramatic effect on retention. Now, if you think about the kinds of criticisms that we've advanced here, of the military system, and look at what the Grace Commission proposes, it is worse in almost every respect. It suggests a smaller amount of benefits, but they are further deferred and they are more risky. The Grace Commission proposes moving in exactly the wrong direction.

Mr. **Bustamante**. And yet, throughout the country, and even some people in the administration, has praised the Grace Commission. I have a list here of those people that paid zero or less in income taxes. The W.R. Grace Co. made $684 million; they got credit for $12 million in return. They're in the minus 1.8 income tax bracket. Maybe this is why he approaches this thing this way.

Mr. **Leonard**. I take that as additional evidence that he knows the private sector well.

Mr. **Bustamante**. Very well. I just thought I would put that in, a little bit, because I had some of that information. Now, let me ask you, Mr. Hale, can you tell me a little bit about the econometric plan? The Army didn't—they thought it was bad, that it was too narrow a system. Would you comment?

Mr. **Hale**. The Army, or at least some in the Army, have criticized the models that were used by the fifth quadrennial review, and the reviews models are the same ones that CBO has used. Critics have added other variables and made other assumptions and gotten substantially more pessimistic results, that is, more losses, from the career force associated with changes like the fifth quad proposed. Unfortunately, I can't tell you for sure which models are right. I think the model which CBO used, and the Department used, is the one that has been most widely used to date.

But the truth is that you face substantial uncertainty. There may be more losses than we expect; there could also be fewer. We can't be sure. And this is Mrs. Holt's point, that we cannot be absolutely certain. I'd remind you again, however, that there are other ways you can correct the problem if losses are unexpectedly high.

Mr. **Bustamante**. Mr. Chairman, thank you.

The **Chairman**. Mr. Sweeney.

Mr. **Sweeney**. Like some of you, I gather from the earlier questioning, I'm not a veteran either. I fought a different kind of war in my life, and I certainly fought one in the last year to get here. For that reason, perhaps, I can discuss this with a little more detachment than I'm sure some would offer, a little less understanding.

Be that as it may, I'd like to focus on a couple of areas. First of all, let me direct this question to Mr. Hale. Taking the most radical of the proposals to overhaul or restructure the retirement system, what kind of administrative or operational costs are attendant upon that restructuring?

Mr. **Hale**. I'm not sure I follow you, Mr. Sweeney. Let's focus on the Grace Commission as the most radical because I think it certainly qualifies for that, at least among the major plans I can think of. It would result in very substantial reductions in the size of the career force. I think it's particularly hard under proposals that are that far reaching to estimate just how much reduction would occur. We are best able to estimate what would happen——

Mr. **Sweeney**. I think my question is more directed at the administering of a new program. You're changing the structure of the retirement system. You're changing the way it's operated, managed, administered. Are there any additional costs attendant upon those changes that would be incurred?

Mr. HALE. There would certainly be some cost involved in explaining the decision to military people and justifying it. I don't think, however, that the dollar costs of that are likely to be large. As far as the actual writing of the checks and all, I can't see that costs would be significantly different than costs under the current system.

Am I answering your question? I'm not sure that I am?

Mr. SWEENEY. Yes, generally; there's no additional cost that will be incurred because of this overall wholesale change.

Mr. HALE. I can't think of any significant additional administrative costs.

Mr. SWEENEY. Right, OK. Mr. Bickerman, is there anything in your mind that's magical about the No. 20? In other words, could we look at a retirement age being geared more to 25 or to 22, or perhaps to 12, in terms of the number of years?

Mr. BICKERMAN. In terms of the number of years of service? No, I don't think there's anything magical about the year 20. I think that again it was a vestige of history that retirement was pegged to 20 years of service. After 20 years of service in the military once thought that people ought to be moving out. I don't think there's anything special about that age.

We should consider restructuring the service requirement categories.

If you consider people in the private sector who have been trained, and are attaining certain skill levels, 40 is commonly referred to as the time when employees achieve their peak abilities. The same holds true for many jobs in the military. A retirement age beyond 20 years of service makes sense.

Mr. SWEENEY. But you can't say for certain classes of servicemen that perhaps a different system geared to a different retirement age would perhaps be appropriate? Referring to Mr. Leonard's very simple graph here, I think on page 4 of the statement he submitted, everything is obviously and of course in our conversation, further supports that everything builds toward year 20.

Can you see any justification for looking to have that happen in another year or if not, at least for certain categories of service men?

Mr. BICKERMAN. There's no reason a career in the military has to build toward 20 years. A career could certainly last longer. There may be a need to provide other compensation so that personnel would stay in but there's no reason that careers should not be prolonged. We ought to be moving the retirement age higher.

We need to examine changes in retirement policy in conjunction not just with the military pension system but also with the up or out promotion policies and with mandatory retirement aspects of the system that we currently have.

Mr. SWEENEY. One final question for Mr. Leonard. In response to Mr. Hunter's question earlier, really what you told him is to get around the part of the retirement system that builds in protection, income security for the future savings, what I heard you saying was that you would advocate some kind of forced IRA system, which does nothing more than take you right back into the retirement system.

Can you, can you clarify or elaborate on that? Give us a little more insight as to where you'd really go if you're going to address that problem?

Mr. **Leonard**. First, I was responding to a question in which I thought he wanted to constrain recipient's spending, and I was trying to propose a mechanism through which he could do that.

Mr. **Sweeney**. No; I don't think he was.

Mr. **Leonard**. If you ask me whether I would propose to constrain recipients' spending choices, I would not. I think people with appropriate education make good choices on their own, so I would propose that if you want to give them compensation as an adducement to keep working, then you do so and let them make their own choices, and you make available to them retirement options and other forms of saving the same way that you have to people who work in the private sector. Now, the form of the proposal that I was making was the suggestion that if you do decide to use retirement benefits as a form of compensation, that a defined contribution plan approach might make sense in this setting.

The reason is that it is a more visible form of compensation. People can see you actually providing money and know exactly how much they are going to be paid for the next year's work and for the year after that.

Mr. **Sweeney**. Thank you. Thank you, Mr. Chairman.

The **Chairman**. Any other questions?

[No response.]

The **Chairman**. Gentlemen, thank you very much for spending the time with us today. Very helpful, thank you.

[Whereupon, at 3:46 p.m., the subcommittee was adjourned.]

99TH CONGRESS
1ST SESSION

H. R. 1179

To provide for payment to persons who served during World War II as Philippine Scouts the difference between the pay of such Philippine Scouts and the pay for the same period of other members of the Armed Forces of the United States of corresponding grades and length of service and to equalize the retired pay of such persons.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 20, 1985

Mr. PANETTA introduced the following bill; which was referred to the Committee on Armed Services

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A BILL

To provide for payment to persons who served during World War II as Philippine Scouts the difference between the pay of such Philippine Scouts and the pay for the same period of other members of the Armed Forces of the United States of corresponding grades and length of service and to equalize the retired pay of such persons.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Philippine Scouts Pay Equity Act".

SEC. 2. (a) The Secretary of the Army (hereinafter in this Act referred to as the "Secretary") shall—

(1) compile a list of all persons who served as Philippine Scouts at any time during the period beginning on December 7, 1941, and ending on December 31, 1946;

(2) determine the total amount of basic pay each such person received for service as a Philippine Scout during that period; and

(3) determine the total amount of basic pay each such person would have received for service in the Philippine Scouts during that period if the rates of basic pay for the Philippine Scouts had been the same as the rates of basic pay for other members of the United States Army of corresponding grades and length of service.

(b) The Secretary shall pay to each person on the list compiled pursuant to paragraph (1) of subsection (a) a lump sum amount equal to the difference between the amounts calculated pursuant to paragraphs (2) and (3) of such subsection for that person.

(c) If a person entitled to a payment under subsection (b) is deceased, payment shall be made to the persons, and in the manner, prescribed in section 2771 of title 10, United States Code.

(d) The Secretary shall take such measures as the Secretary considers appropriate to notify in a timely manner persons entitled to a payment under this section of their entitlement to that payment.

(e) The Secretary is not authorized to make any payment pursuant to this section after the end of the ten-year period beginning on the effective date of this Act.

SEC. 3. The Secretary shall redetermine the retired pay of each person entitled to retired pay from the Department of Defense for service as a Philippine Scout as if the rate of basic pay payable to such person at the time of retirement had been the rate of basic pay payable to any other member of the United States Army in the same grade and with the same length of service as such person. The redetermination of retired pay shall apply only for retired pay payable for months beginning on or after the effective date of this Act.

SEC. 4. This Act shall take effect on October 1, 1985.

H.R. 1179—PHILIPPINE SCOUTS PAY EQUITY ACT

House of Representatives,
Committee on Armed Services,
Military Personnel and Compensation Subcommittee,
Washington, DC, Tuesday, April 2, 1985.

The subcommittee met, pursuant to notice, at 3:21 p.m., in room 2216, Rayburn House Office Building, Hon. Les Aspin (chairman of the subcommittee) presiding.

STATEMENT OF HON. LES ASPIN, A REPRESENTATIVE FROM WISCONSIN, CHAIRMAN, HOUSE COMMITTEE ON ARMED SERVICES AND CHAIRMAN, MILITARY PERSONNEL AND COMPENSATION SUBCOMMITTEE

The **Chairman**. The meeting will come to order. This afternoon, we are hearing from a colleague of ours, Mr. Leon Panetta from California, who is clearly one of the best people that we have on the Democratic side in the House of Representatives. And he has a very important issue that he would like to bring before our committee.

Let me turn it over to you, Leon. Make whatever presentation that you would like with whatever other witnesses that you would like to introduce, and then we will ask you some questions.

Mr. **Hillis**. Would the chairman yield?

The **Chairman**. Let me first before we start turn the microphone over to the gentleman from Indiana.

Mr. **Hillis**. I wonder why you limited it to the Democratic side. I think that he is one of the best in the whole House.

The **Chairman**. All right. I did not want to speak for the Republicans.

Mr. **Hillis**. Especially now.

The **Chairman**. All right. With that endorsement, Leon, go ahead.

STATEMENT OF HON. LEON E. PANETTA, A REPRESENTATIVE FROM CALIFORNIA

Mr. **Panetta**. Thank you very much, Mr. Chairman and members of the subcommittee. I really appreciate your providing this hearing, Mr. Chairman. I have talked to you about this before. And I realize that when you are dealing with the weighty issues of the defense authorization bill, and missile systems, and what have you that sometime issues like this get lost in the mix.

But I deeply appreciate your taking the time to look at this issue, because I think that it really does involve a basic equity issue that has to be addressed by our Government.

The legislation that I have before you tries to address a longstanding inequity in our treatment of the Philippine Scouts who were members of the U.S. Army. I am pleased that finally they will at least have their day in court to have their case heard.

It has been 40 years since the outbreak of the Second World War, the war in the Pacific, and the invasion of the Philippines. And yet for those who have fought in Bataan and Corregidor who survived the Bataan death march, individuals who are here before you, and the capitivity in Japanese prison camps, I do not think that those memories have faded.

We have hundreds of former members of the Philippine Scouts who live on the West Coast, particularly in the State of California, that remember well General McArthur's commitment to that war and I quote, "War is the great equalizer of men. Every member of my command shall receive equal pay and allowances based upon the U.S. Army pay scale, regardless of nationality."

Yet despite the General's promise and the fact that the Philippine Scouts fought and died along side their American counterparts, they have never received the same pay or retirement benefits.

The Scouts were not foreign soldiers. They were an integral part of the U.S. Army since the unit's creation in 1901. The Scouts were an elite organization with a membership that was considered an honor by the Filipinos, and they operated under the strictest standards that were followed in their selection.

I think that they numbered about 12,000 men at the time, and the Scouts were considered to be pivotal in terms of the defense of the Bataan Peninsula. General MacArthur described them, and I quote again as "excellent troops, completely professional, loyal, and devoted."

At the onslaught of the war in the Pacific when the Japanese attacked Pearl Harbor and invaded the Philippine Islands, these soldiers became the key to our entire South Pacific strategy.

Against overwhelming odds and faced with superiority in numbers and equipment and no air cover against the bombings of the Japanese, malaria, beri-beri, all of the problems that the troops ran into, these men held on to the Bataan Peninsula for about 98 days. And over 1,000 of them went on to fight another 5 weeks on Corregidor.

This determined resistance denied the Japanese an essential base for the projected thrust into the South Pacific at the time. And they were forced to retain a large army and naval force in the Philippines.

On a tragic note, it is estimated that one out of every two members of the Philippine Scouts who were captured by the Japanese following the collapse of Bataan did not survive captivity. The Scouts who were fortunate enough to survive the Battle of Bataan and escape capture by the Japanese, fled to the hills to organize guerrilla forces.

These guerrilla forces incidentally assisted in the return of General MacArthur's troops in the 1945 liberation of the Philippine Islands.

Despite all of these sacrifices that were made, and I just touched on some of the battles and sacrifices that were made, these Scouts were paid less than half as much as their American counterparts. In fact, while an American private was earning $30 a month during the war, a Philippine Scout with comparable rank and length of service only received $9 for his exposure to the same hardships and dangers.

Mr. Chairman, in March 1942, the U.S. Senate passed S. 2387, which was a bill to equalize the rates of pay for all personnel in the U.S. Army, the Philippine Scouts and the Philippine Commonwealth Army.

The House counterpart measure, H.R. 6829, was reported favorably by the House Military Affairs Committee chaired by Congressman May. It is interesting to note that the report on the bill was issued at the height of the hostilities and recognized the principle of equal pay for equal risk.

I want to quote from that report:

> The purpose of this legislation is to permit the Secretary of War to qualize the rates of pay for the personnel of the U.S. Army, the Philippine Scouts, and the Philippine Commonwealth Army. All of these classes of persons are now jointly engaged in the defense of the Philippine Islands against a common foe. They are all subject equally to the same hardships and dangers. Your committee is of the opinion that in view of this equality which war has imposed the disparity that now exists in the rates of pay for the various classes of persons is no longer justified and should be removed.

It is worth noting that the Secretary of War, Henry Stimson, strongly supported passage of this pay equalization bill. It is truly sad that the fall of the Philippines prevented the adoption of this measure, and that the passage of time has blinded us to the sacrifices that were made.

Mr. Chairman, since this time, the Department of Defense has taken a position opposing pay equalization legislation. DOD argues that the lower rate of pay for Philippine Scouts was in accord with the lower cost of living in the Philippine economy.

As the 1942 report of the House Committee on Military Affairs points out, such a rationalization of this pay disparity does not stand up in light of the sacrifices that were made by these soldiers.

Moreover, these pay disparitites continue today. Many of the scouts continued to serve in our armed forces, and eventually retire after long careers. Unfortunately, their retired pay perhaps justified in terms of the Philippine economy has not been sufficient in terms of the higher cost of living here in the United States.

Now the point of the legislation that I introduced, and I introduced this over the past few years, is to try to correct this discrimination. H.R. 1179 is both simple and direct. It would authorize the Secretary of Army to make a lump sum payment to former Philippine Scouts or their survivors equal to the difference between the pay received by American soldiers of corresponding grades and lengths of service and the total amount received by the individual scouts.

In addition, the measure would direct the Secretary of Army to redetermine the rates of retirement pay presently received by a small number of former scouts receiving retirement or disability pay from the Department of the Army. In fact, the latest DOD estimate put the cost of implementing the entire bill at something a little over $9 million.

Mr. Chairman, as you know, the U.S. Government is going to pay out I think $18.4 billion in retirement benefits in the fulfillment of our commitment to the men and women who have served in the U.S. armed services. In comparison, I think that the budgetary costs involved here will fulfill our commitment to the Philippine Scouts after some 40 years in which we have failed to stand by that commitment.

I think that the symbolic value, however, is absolutely essential to our own credibility as a country.

Mr. HUNTER. If the Chair would allow me, could you repeat the figure, Mr. Panetta?

Mr. PANETTA. Yes. The total figure for pay and retirement benefits is $18.4 billion.

Mr. HUNTER. And how much is in your bill?

Mr. PANETTA. About $9 million.

Mr. HUNTER. $9 million in your bill?

Mr. PANETTA. That is correct.

As Commander of the U.S. Armed Forces in the Far East, and again I refer to General MacArthur who said, "Old soldiers never die, they just fade away." So it seems with regard to our commitment to the Philippine Scouts after the last forty years. Let us not allow the promise made to these loyal soldiers to simply fade away. It is time that we live up to the commitment that was made to these scouts, a commitment to equal pay for equal hardship and risk that they were involved in.

PREPARED STATEMENT OF HON. LEON E. PANETTA

I would like to thank my distinguished colleague Chairman Les Aspin and the other members of the Subcommittee on Military Personnel and Compensation for this opportunity to testify on my Philippine Scout Equity legislation. This legislation seeks to redress a long standing inequity in our treatment of these brave U.S. Army soldiers, and I am very pleased that after some forty-three years, the Philippine Scouts will finally have their day in court.

Mr. Chairman, it has been over forty years since the outbreak of the Second World War in the Pacific and the invasion of the Philippines by the forces of Imperial Japan. Yet for those who fought in the heroic defense of Battan and Corregidor and who survived the infamous Bataan "death march" and captivity in Japanese prison camps, these memories have not faded. Hundreds of former members of the crack Philippine Scouts who live on the West Coast and in particular in my home State of California still remember General Douglas MacArthur's promise that "War is the great equalizer of men. Every member of my command shall receive equal pay and allowances based upon the United States Army pay scale, regardless of nationality." Yet despite the General's promise and the fact that the Philippine Scouts fought and died along side their American counterparts, they have never received the same pay or retirement benefits.

The Philippine Scouts were not foreign soldiers; they were an integral part of the U.S. Army since the unit's creation in 1901. The Scouts were an elite organization with a "high esprit de corps" in which membership was considered an honor by Filipinos and the strictest standards were followed in their selection. Never numbering more than 12,000 men, the Scouts were to serve a pivotal role in the valiant defense of the Bataan Peninsula. General MacArthur was later to describe them as "excellent troops, completely professional, loyal and devoted."

At the onslaught of war in the Pacific, when the Japanese attacked Pearl Harbor and invaded the Philippine Islands, these soldiers became the key to our entire South Pacific strategy. Against overwhelming odds, faced with superiority in numbers and equipment, devoid of air cover against constant bombings by the Japanese, ravaged by malaria (with little medicine to fight it) and beri-beri (brought on by a diet of polished rice and a few canned goods a day), these men helped hold the Bataan Peninsula for 98 days. Over 1,000 of them went on to fight another five weeks on Corregidor. This determined resistance denied the Japanese an essential base for the projected thrust into the South Pacific. The enemy was also forced to retain a large army and naval force in the Philippines, which otherwise could have been employed against Allied shipping of men and materials to Australia and New Caledonia from the United States and the Middle East. The Scouts' protracted defense of these islands against all odds allowed the United States to recover from the first blows of the war and regroup for what would ultimately prove to be a successful counterattack.

On a tragic note, it is estimated that one of every two members of the Philippine Scouts who were captured by the Japanese following the Allied collapse at Bataan did not survive captivity. The Scouts who were fortunate enough to survive the Battle of Bataan and escape capture by the Japanese, fled to the hills to organize guerrilla forces. The guerrilla forces eventually assisted the return of General MacArthur's troops in the 1945 liberation of the Philippine Islands.

Despite all these sacrifices, Philippine Scouts were paid less than half as much as their American counterparts. In fact, while an American private was earning $30 a month during the war, a Philippine Scout with comparable rank and length of service received only $9 for his exposure to the same hardship and dangers.

Mr. Chairman, on March 31, 1942, the United States Senate passed S. 2387, a bill to equalize the rates of pay for all personnel in the United States Army, the Philippine Scouts, and the Philippine Commonwealth Army. The House counterpart measure, H.R. 6829, was reported favorably by the House Military Affairs Committee, chaired by Congressman May. It is interesting to note that the report on that bill, issued at the height of the hostilities, recognized the principle of equal pay for equal risk. To quote from that report (No. 1969, 77th Congress):

"The purpose of this legislation is to permit the Secretary of War to equalize the rates of pay of the personnel of the United States Army, the Philippine Scouts, and the Philippine Commonwealth Army. All of these classes of persons are now jointly engaged in the defense of the Philippine Islands against a common foe. They are all subject equally to the same hardships and dangers. Your committee is of the the opinion that, in view of this equality which war has imposed, the disparity which now exists in the rates of pay for the various classes of persons is no longer justified and should be removed."

It is worth noting that the Secretary of War, Mr. Henry L. Stimson, strongly supported passage of this pay equalization bill. It is truly sad that fall of the Philippines prevented the adoption of this measure and that the passage of time has blinded us to the sacrifices of the soldiers who fought in the defense of the Philippines.

Mr. Chairman, since this time, the Department of Defense has taken a position opposing pay equalization legislation. DoD argues that the lower rate of pay for Philippine Scouts was in accord with the lower cost of living in the Philippine economy. As the 1942 report of the House Committee on MIlitary Affairs points out, such a rationalization of this pay disparity does not stand up in light of the sacrifices of these soldiers. Moreover, these pay disparities continue today to affect those Scouts who came to the United States and became citizens. Many of these Scouts continued to serve in our Armed Services and eventually retired after long careers. Unfortunately, their retired pay, perhaps justified in terms of the Philippine economy, has not been sufficient in terms of the higher cost of living here in the United States.

My legislation to correct this discrimination, H.R. 1179, is both simple and direct. H.R. 1179 would authorize the Secretary of the Army to make a lump sum payment to former Philippine Scouts or their survivors equal to the difference between the pay received by American soldiers of corresponding grades and lengths of service and the total amount actually received by individual Scouts. In addition, this measure would direct the Secretary of the Army to redetermine the rates of retirement pay presently received by a small number of former Scouts receiving retirement or disability pay from the Department of the Army. In fact, the latest DoD estimate put the cost of implementing the entire bill at a little over $9 million.

Mr. Chairman, in 1986 the United States Government will pay out some $18.4 billion dollars in retirement benefits in the fulfillment of our commitment to those men and women who have served in our nation's armed services. In comparison, the budgetary cost of fulfilling our commitment to the Philippine Scouts after some forty years is exceedingly small. The symbolic value, however, is immense.

As the Commander of the U.S. Armed Forces in the Far East, General Douglas MacArthur, so memorably declared before a joint session of Congress in 1951, "Old soldiers never die, they just fade away." So it seems to be with our commitment to the Philippine Scouts over the last forty years. Let us not allow the promise made to these loyal soldiers to simply fade away. It is time that we live up to our commitment to the brave Philippine Scouts; a commitment to equal pay for equal hardship and risk. Thank you.

Mr. PANETTA. Mr. Chairman, accompanying me are three former scouts: Glenn Olea, Vincent Cauntay, and Leonardo Cancio. And I would ask if they could present their testimony as well, because they have lived with this issue most of their lives.

The CHAIRMAN. We welcome all of you to our committee hearings. Please proceed.

STATEMENT OF GLENN OLEA, PHILIPPINE SCOUTS

Mr. OLEA. Thank you very much, Mr. Chairman. First I would like to identify myself. My name is Glenn Olea, and I live in Seaside and am a former mayor of that city. I was formerly a member of Company E for the 45th Infantry, a Philippine Scout, and fought in Bataan during World War II, was in the infamous death march, and I was a POW in Bataan.

Now first of all, I would like to thank Congressman Panetta for his effort to support the Philippine Scout bill, and also to coordinate for us to be heard by this committee. And I want to thank the chairman of the House Armed Forces Committee and the Members for letting us be heard.

Now first of all, there might be some questions that might arise in the minds of the members of the committee, or there might be some question that may arise through the questions of Members of Congress.

Now the question that is raised is who were the Philippine Scouts and what happened to them, how did the Philippine Scouts come into the United States Army, and what contribution did they make to this country's military heritage?

Now briefly, I am going to answer that question. And it is fact, because I was a member of the Philippine Scouts. Now my answer is that the Philippine Scouts were the first and last of what some might call American colonial troops. The first Scouts organizations were created in 1901 during the early days of the American occupations of the Philippine Island by the induction of the Filipinos into the service of the United States Armed Forces. Their mission was to help restore order and peace to a troubled area.

When the Scouts were formed into regular units in 1902, Congress set their pay in pesos, not in dollars, at the equivalent of that of American officers and enlisted men of the same rank. At that time, the Philippine peso was worth only half the United States dollar. Thus, the Scouts were paid about $9 while the Americans received $30 as a private. Now this situation was never corrected. So on Bataan, two decades later, they in effect sold their lives for half what they were worth.

Now the Philippine division was activated with two infantry regiments. You had the 45th Philippine Scouts regiment and the 57th subordinate to the 23rd Infantry Brigade of the Philippine Scouts. The supporting artillery engineer, quartermaster, medical and other divisional elements were manned by Filipino enlisted men officered by Americans and a few Filipino officers.

For the defense of Manila Bay, two Philippine Scouts coast artillery regiments, the 91st and 92nd coast artillery were created. Last but not least, the 24th field artillery, the 88th artillery, and the 26th Cavalry regiments also were activated at Fort Statsenberg, Clark Field.

From 1920 until the outbreak of World War II in Europe, the Philippine Scouts were the major combat ready force available to defend the islands against foreign invaders. In early 1941, Congress increased the Philippine Scouts strength to 12,000. The recruits were trained so efficiently that when the Japanese invaded the Philippines on December 9, 1941, the Scouts were prepared to resist the best the Imperial Japanese Army could throw at them.

The 26th Cavalry of Philippine Scouts distinguished itself in the first days after the initial Japanese landing at Lingayen Gulf in late December by attacking the assault forces. During the stubbornly contested withdrawal of the northern Luzon force commandered by Lt. Gen. Jonathan Wainwright to the Bataan Peninsula, the 26th Cavalry was the rear guard mounted on horses or riding in personnel carriers with thin armor and only light machine guns, the Scouts continually counterattacked the Japanese tanks and sacrificed their lives to protect the American and Filipino troops as they fell back.

Once Bataan was reached, the 57th Philippine Scouts was charged with holding the line astride the one major road into the peninsula. At the battle of Abucay from January 11 until January 15, the 57th Philippine Scouts and two battalions of the 45th Infantry withstood the onslaught of the best elements of Gen. Masaharu Homma, Commander in Chief of the Japanese Expeditionary Forces, could hurl against them. After 4 days of bitter hand to hand combat, the Japanese ceased their attempts to penetrate the Scouts line.

They shifted their weight westward into the jungle covered mountains. From there, they outflanked the Scouts and forced them to fall back. The Japanese had gained a pyrrhic victory. So heavy had been their casualties that they gave up the attempt to break the Filipino and American line on the eastern side of the Peninsula.

Instead they launched a series of amphibious assaults against the rear of the western flank of General McArthur's battered troops. Again they found themselves opposed by the Philippine Scouts. Not only was their nemesis the 57th Philippine Scouts, but also two battalions of the 57th's sister regiment.

In a series of blood actions waged in the thick jungle at the southwestern end of the peninsula, two enemy infantry battalions of approximately 1,200 men were annihilated. Again the Scouts have proven their superiority.

After months of regrouping and reinforcing their troops' new unit from the successful campaign in Malaya, the Japanese launched their final offense. The front was too broad for such a small number of Scouts. In addition, the enemy were too numerous and too strongly supported by artillery and close support aircraft. Though Scout artillery batteries outshot the enemy and infantry units inflicted more casualties than they took, the odds were too great.

Even so, when the order came to surrender on April 9, 1942, the Scouts units were still fighting and were determined to carry on.

While the majority of the Scouts obeyed the order to surrender, their spirits were not subdued. Of those who survived the infamous death march and the starvation and suffering at the Camp O'Donnell POW camp, many were able to escape to form guerrilla groups to carry on the fight, and those who were released joined the band.

During the bleak years of 1942 to 1944, they strove to establish contact with General McArthur's headquarters in Australia and to contest Japanese control of the Philippines. Then the long awaited return of American forces to the Philippines arrived on October 1944. The bravery of the Philippine Scouts is borne out by their large number of citations for gallantry.

Now the first recipient of the Congressional Medal of Honor that was given to a Philippine Scout was January 6, 1942.

The sacrifices of the Philippine Scouts and their unwavering loyalty was proved over and over again. But recognition of their dedication and worth has not been commensurate with their achievements, nor has their true contribution to the annals of the U.S. Army been properly recognized.

Gentlemen, I hope that you will look into the record of the Philippine Scouts, and the action of the Congress that I feel that we deserve, that this House resolution must pass through. And again, I want to thank Congressman Aspin, chairman of the Armed Forces Committee, and in particular Congressman Panetta. I thank you very much for letting us be heard. Thank you.

THE PHILIPPINE SCOUTS FORGOTTEN HERO

The question is: Who were the Philippine Scouts and what happened to them? How did the Philippine Scouts come into the United States Army and what contribution did they make to this country's military heritage?

The answer is: They were the first and last of what some might call American colonial troops. The first Scouts organizations were created in 1901 during the early days of the American occupations of the Philippine Island by the induction of the Filipinos into the service of the United States Armed Forces. Their mission was to help restore order and peace to a troubled area.

In the ensuing two decades, the Philippine Scouts took part in subduing the fierce and warlike Moro tribes on the island of Mindanao and in the Jolo Archipelago and establishing tranquility throughout the islands. When the United States Army was mainly concerned with the fighting in Europe in World War 1, the Scouts were the only troops present in the Philippines that helped restrain ultra-nationalists trying to shake off American rule.

Following the War, Congress approved induction of the Philippine Scouts into the Regular United States Army. A strength of 6,000 was authorized and tactical units were created with designation of the regular establishment, but with the suffix (PS) indicating "Philippine Scouts."

When the Scouts were formed into Regular units in 1920, Congress set their pay in pesos, not in dollars, at the equivalent of that of American officers and enlisted men of the same rank. At that time the Philippine peso was worth only half the U.S. dollar. Thus the Scouts were paid about one third from their American counterparts received. The enlisted man Pvt in Scouts received $9.00 while American received $30.00 that was before the outbreak of World War II. This situation was never corrected. So on Bataan, two decades later, they, in effect, sold their lives for half what they were worth.

The Philippine Division was activated with two infantry regiments — the 45th (PS) and 57th (PS), subordinate to the 23rd infantry Brigade of Philippine Scouts. The supporting artillery, engineer, quartermaster, medical and other divisional elements were manned by Filipino enlisted men officered by Americans and a few Filipino officers. For the defense of Manila Bay, two Philippine Scouts coast artillery regiments, the 91st and 92nd coast artillery were created. Last, but not least, the 24th Field Artillery, the 88th artillery, and the 26th Cavalry Regiments (PS) were activated all are in Fort Statsenberg, Clark Field.

From 1920 until the outbreak of World War II in Europe, the Philippine Scouts were the major combat ready force available to defend the islands against any foreign invader. In early 1941, Congress increased the Philippine Scouts strength to 12,000. The recruits were trained so efficiently that when the Japanese invaded the Philippines on December 9, 1941, the Scouts were prepared to resist the best the Imperial Japanese Army could throw at them.

The 26th Cavalry (PS) distinguished itself in the first days after the initial Japanese landing at Lingayen Gulf in late December by attacking the assault forces. During the stubbornly contested withdrawal of the northern Luzon Force, commanded by Lt General Jonathan Wainwright, to the Bataan Peninsula, the 26th Cavalry was the rear guard, mounted on horses or riding in personnel carriers with thin armor and only light machineguns, the Scouts continually counterattacked the Japanese tanks and sacrificed their lives to protect the American and Filipino troops as they fell back. Once Bataan was reached the 57th Infantry (PS) was charged with holding the line astride the one major road into the peninsula. At the Battle of Abucay, from Jan 11 until Jan 15, 1942, the 57th Infantry (PS) and two battalions of 45th Infantry withstood the onslaught of the best elements General Masaharu Homma, Commander in Chief of the Japanese Expeditionary Forces, could hurl against them. After four days of bitter hand-to-hand combat, the Japanese ceased their attempts to penetrate the Scouts line.

They shifted their weight westward into the jungle-covered mountains. From there, they outflanked the Scouts and forced them to fall back. The Japanese had gained a Pyrrhic victory. So heavy had been their casualties, that they gave up the attempt to break the Filipino and American line on the eastern side of the Peninsula. Instead, they launched a series of amphibious assaults against the rear of the western flank of General MacArthur's battered troops. Again they found themselves opposed by Philippine Scouts. Not only was their nemesis the 57th Infantry (PS), but also two battalions of the 57th's sister regiment the 45th Infantry (PS). In a series of bloody actions waged in the thick jungle at the southwestern end of the Peninsula, two enemy infantry battalions of approximately 1,200 men were annihilated. Again, the Scouts had proven their superiority.

After months of regrouping and reinforcing their troops new unit from the successful campaign in Malaya, the Japanese launched their final offensive. The front was too broad for such a small number of Scouts. In addition, the enemy were too numerous and too strongly supported by artillery and close support aircraft. Though Scouts artillery batteries outshot the enemy and infantry units inflicted more casualties than they took, the odds were too great. Even so, when the order came to surrender on April 9, 1942, the Scouts units were still fighting and were determined to carry on.

While the majority of the Scouts obeyed the order to surrender, their spirits were not subdued. Of those who survived the infamous death march and the starvation and suffering at the Camp O'Donnell POW camp, many were able to escape to form guerrilla groups to carry on the fight, and those who were released joined the band. During the bleak years of 1942 to 1944, they strove to establish contact with General MacArthur's headquarters in Australia and to contest Japanese control of the Philippines. Then the long awaited return of American forces to the Philippines arrived on October, 1944. The bravery of the Philippine Scouts is borne out by their large number of Citations for gallantry.

The sacrifices of the Philippine Scouts and their unwavering loyalty was proved over and over again, but recognition of their dedication and worth has not been commensurate with their achievements, nor has their true contribution to the annals of the United States Army been properly recognized.

By: Ex-Mayor, Seaside, Glenn Olea, was with
Company "E", 45th Infantry (PS) U.S. Army
fought in Bataan, and was in the
infamous death march, POW,
Capas, Tarlac, Philippines

Mr. **Panetta**. Mr. Cancio.

STATEMENT OF LEONARD M. CANCIO, PHILIPPINE SCOUTS

Mr. **Cancio**. Mr. Chairman and members of the committee, on behalf of the Philippine Scouts and their survivors, I wish to take this opportunity to thank the members for allowing me to testify which I consider a privilege and an honor, which I will never forget as long as I live. I waited 23 years for this opportunity to speak to you gentleman on behalf of the Philippine Scouts.

My name is Leonardo Cancio. I am a former prisoner of war and a military retiree with 31 years of service besides 16 years of Federal service for a total of 47.

I was a former member of Company D, 45th Infantry Regiment. I was stationed at Camp Limay, Bataan, where we made our last stand against the Japanese.

Please allow me to brief you about the Philippine Scouts. They are Filipinos and natives of the Philippines, and they first saw service way back in 1898. At that time, they were hired as guides. Realizing the need of fighting men, the Congress of the United States organized the members of the Philippines as a component of the U.S. Army which was on October 1, 1901.

When the Japanese attacked the Philippines on December 7, 1941, the Philippine Scouts fought gallantly side by side with the U.S. Army in defense of freedom and democracy.

Following the surrender of Bataan on April 9, 1942 and Corregidor on May 6 the same year, those in Bataan were force to participate in the infamous Bataan death march which terminated at Camp O'Donnell, the Japanese concentration camp. After 3 long years of Japanese occupation praying and hoping for the liberation forces, the Philippines was finally liberated in the early part of 1945.

Following the liberation of the Philippines, the Philippine Scouts reported to the military control, and they were organized into several military units, and helped in the defense against those Japanese occupying the Philippines.

When the Philippines were granted independence on July 4, 1946, the Philippine Scouts units were disbanded and were assigned to regular army units. Most of them went to the United States. And those with 20 or more years service retired from the service.

In 1962, the first resolution regarding equalization of pay of the Philippine Scouts was introduced by the late Congressman John Baldwin of California.

To obtain support for the passage of the bill, I on behalf of the Philippine Scouts wrote several Members of the Congress, the newspapers, the California Legislature, the Secretary of Defense, the Department of Justice, and even the Philippine Embassy in Washington, DC, and almost all of the Presidents of the United States including President Reagan.

Mr. Chairman and members of the committee, with your permission, I would like to read a portion of that Congressional Record proceedings and debates of the 97th Congress in Washington, DC, on February 26, 1981. Just a portion of it.

Mr. Speaker, on March 31, 1942, the U.S. Senate passed S. 2387, a bill to equalize the rates of pay of all personnel in the U.S. Army, the Philippine Scouts, and Philippine Commonwealth. The House counterpart measure, H.R. 6829, was reported favorably by the House Military Affairs Committee, chaired by Congressman May.

[The following information was received for the record:]

Congressional Record

United States of America

PROCEEDINGS AND DEBATES OF THE 97th CONGRESS, FIRST SESSION

Vol. 127 WASHINGTON, THURSDAY, FEBRUARY 26, 1981 No. 31

House of Representatives

EQUITY FOR THE PHILIPPINE SCOUT VETERANS OF WORLD WAR II

The **SPEAKER** pro tempore. Under a previous order of the House, the gentleman from California (Mr. PANETTA) is recognized for 5 minutes.

● Mr. PANETTA. Mr. Speaker, I am today reintroducing legislation which I introduced in the 95th and 96th Congresses. My bill is simple in its content, yet quite profound in its importance, and I urge all my colleagues to support it. My bill simply authorizes equal pay for equal risk for veterans of the World War II Philippine Scouts who fought so bravely as part of the U.S. Army. These were not foreign soldiers; they were an integral part of our Army and of the allied effort in Asia. The service and sacrifices which they provided at Bataan and Corregidor was critical to the war against Japanese aggression in Asia. We are all indebted to the Philippine Scouts, and yet by paying them less than half the average pay of American troops during the war years, we have done them a serious disservice.

Mr. Speaker, on March 31, 1942, the U.S. Senate passed S. 2387, a bill to equalize the rates of pay of all personnel in the U.S. Army, the Philippine Scouts, and Philippine Commonwealth Army. The House counterpart measure, H.R. 6839, was reported favorably by the House Military Affairs Committee, chaired by Congressman May. It is interesting to note that the report on that bill, issued as it was at the height of hostilities, recognized the principle of equal pay for equal risk. I will quote from that report (No. 1969, 77th Congress):

> The purpose of this legislation is to permit the Secretary of War to equalize the rates of pay of the personnel of the United States Army, the Philippine Scouts, and the Philippine Commonwealth Army. All of these classes of persons are now jointly engaged in the defense of the Philippine Islands against a common foe. They are all subject equally to the same hardships and dangers. Your committee is of the opinion that, in view of this equality which war has imposed, the disparity which now exists in the rates of pay of the various classes of persons concerned is no longer justified and should be removed.

It is also worth noting that the Secretary of War, Mr. Henry L. Stimson, strongly supported passage of this pay equalization bill.

Mr. Speaker, it is truly sad that we should allow the passage of time to blind us to the sacrifices of Philippine soldiers. It is sad that our high principles of equality and fair play should only be valid during a crisis, and when the dying is done, we should then turn our backs on those same principles. If our commitment to equality is based on expediency, then we should not wonder when other nations seem wary to accept the word of the United States as a solemn commitment. It may seem old fashioned for me to suggest that the principles of equality and fair play for the Philippine Scouts are every bit as valid today as they were when the Senate passed its pay equalization bill in 1942, and when the Military Affairs Committee of the House of Representatives reported the same legislation favorably to the House.

In the late 1930's, the Philippine Scouts were made a part of the U.S. Army to help defend the South Pacific against totalitarian domination. Gen. Douglas MacArthur described the Scouts as "excellent troops, completely professional, loyal and devoted." They were an elite organization with a high esprit de corps in which membership was considered an honor by Filipinos and the strictest standards were followed in selection.

General Wainwright, who took command of forces on Bataan and Corregidor after General MacArthur moved Army headquarters to Australia, reported that by the beginning of December 1941 the "Philippine Scouts were fit, trained in combat principles and ready to take the field in any emergency."

At the onslaught of the war in the Pacific when the enemy attacked Pearl Harbor and invaded the Philippine Islands, these soldiers became key to the success of our entire South Pacific strategy. It was the continued resistance on Bataan that denied the Japanese an essential base for the projected thrust to the South Pacific. The enemy was forced to retain large army and navy forces in the Philippines, which otherwise could have been employed against Allied shipping of men and materials to Australia and New Caledonia from the United States and the Middle East. Their protracted defense of these islands against incredible odds allowed the United States time to recover from the first blows of the war and begin to send in supplies and reinforcements.

The defenders of Bataan were hopelessly outnumbered and undersupplied. During their entrenchment they endured severe hardships. When they entered Bataan in January they were already in need of new issues of clothing and shoes. General Wainwright reports that most of the soldiers "walked into Bataan barefooted." *Disease and starvation were problems* dealt with daily. At least 33 percent of the troops had dysentery, and the rest some variety of worm infestation of the bowel. By mid March at least 75 percent of the command was incapacitated to some extent. But for 4 months they held out, fighting the enemy guerrilla fashion, buying time for an Allied force buildup in Australia.

With all the hardships endured by these soldiers, they never received the comparable benefits they were due. Brig. Gen. W. E. Brougher, Commander of the 11th Division on Bataan, pointed out in his prison diary, the moral factor that most disturbed him was "discrimination against Philippine Scouts officers by the U.S. Army forces in the Far East—in matters of promotion, pay, and allowances." For despite their gallant service and tremendous suffering, the Philippine Scouts received only a fraction of the pay and benefits received by their American counterparts. And that discrimination continues today.

It is time to rectify that wrong.

For the convenience of my colleagues, I have reprinted below the full text of my legislation. Again, I urge your support for this worthwhile measure.

H.R. [illegible]

A bill to authorize pay and benefits for members and survivors of members of the Philippine Scouts on the same basis as such pay and benefits are authorized for other members of the Armed Forces and their survivors

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the Secretary of the Army shall pay to each person who served as a Philippine Scout after December 8, 1941, and before December 31, 1946, in a lump sum the difference between the basic pay which he would have received for his military service during that period if the rates of pay of the Philippine Scouts had been the same as the rates of basic pay for other members of the Army of the United States of corresponding grades and length of service, reduced by the basic pay actually received by such person.

(b) In the event a person entitled to payment under subsection (a) is deceased, payment shall be made to the persons, and in the manner, prescribed in section 2771 of title 10, United States Code.

Sec. 2. The retired pay of each former Philippine Scout shall be computed for periods after the effective date of this Act on the basis of the rates of pay prescribed for other members of the Army of the United States of corresponding grades and length of service.

Sec. 3. This Act shall take effect as of the first day of the first calendar month which begins after the date of enactment of this Act. ●

Mr. **Cancio.** In addition to this legislation that I just mentioned, with your permission, I would like to read this telegram that was sent to commander in chief, southwest Pacific, Melbourne, Australia, June 27, 1942:

> AG two four naught July first subject pay and allowances of Philippine Scouts is rescinded. Repeat rescinded. Because of unlawful discrimination against remainder of Scouts who are not serving with your forces. Authority hereby granted to discharge upon their application Philippine Scouts for convenience of government and for purpose of enlistment in Army of United States in grades commensurate with their present grade WGDAP. Report to War Department names of Scouts so enlisted together with serial number and grade. Acknowledge this message. ULIO, the Adjutant General.

[The following information was received for the record:]

OPS/Sub 413

STANDARD FORM No. 14 A
APPROVED BY THE PRESIDENT
MARCH 10, 1926

TELEGRAM

OFFICIAL BUSINESS—GOVERNMENT RATES

FROM WAR DEPARTMENT

BUREAU A. G. O.

~~CONFIDENTIAL~~

210
AG ~~[illegible]~~ (7-22-42)EA-A

July 27, 1942.

#227

CINC
SWPA
MELBOURNE AUSTRALIA

PRIORITY

AG TWO FOUR NAUGHT JULY FIRST SUBJECT PAY AND ALLOWANCES OF PHILIPPINE SCOUTS IS RESCINDED REPEAT RESCINDED PERIOD BECAUSE OF UNLAWFUL DISCRIMINATION AGAINST REMAINDER OF SCOUTS WHO ARE REPEAT NOT SERVING WITH YOUR FORCES ~~PERIOD~~ AUTHORITY HEREBY GRANTED TO DISCHARGE UPON THEIR APPLICATION PHILIPPINE SCOUTS FOR CONVENIENCE OF GOVERNMENT AND FOR PURPOSE OF ENLISTMENT IN ARMY OF UNITED STATES IN GRADES COMMENSURATE WITH THEIR PRESENT GRADE ~~AND~~ WDGAP PERIOD REPORT TO WAR DEPARTMENT NAMES OF SCOUTS SO ENLISTED TOGETHER WITH SERIAL NUMBER AND GRADE PERIOD ACKNOWLEDGE THIS MESSAGE

ULIO
THE ADJUTANT GENERAL

REC'D AGO
AUG 6 1942
MESSAGE

OFFICIAL: CONFIDENTIAL

ADJUTANT GENERAL.

~~CONFIDENTIAL~~

SENT
JUL 27 1942
W. D. CODE SECTION

File 8-7-42

DECLASSIFIED
DOD Dir. 5200.9, Sept. 27, 1958
NND by [illegible] date 11/4/61

C/W

On the basis of this telegram, members of the committee, we who were still alive when we reported to military control, we were automatically paid Regular Army.

It is interesting to note that these bills that I just mentioned were issued and passed during those darkest days when we were fighting desparately in that narrow peninsula of Bataan buying precious time while waiting for that promised convoy of reenforcement from the United States. The promised relief was to help us to defeat the Japanese Imperial Forces. But unfortunately, ladies and gentlemen, none of them came and we were forced to surrender on April 9 and May 6, 1942.

Mr. Chairman and members of the committee, in closing I strongly request that the committee pass and approve H.R. 1179 introduced by Congressman Panetta. I strongly hope and pray that the solemn commitment by the United States will be fulfilled, a commitment for equal pay for equal service. I thank you for listening.

PREPARED STATEMENT OF LEONARD M. CANCIO

Mr. Chairman, and members of the House Armed Services Committee. On behalf of the Philippine Scouts (US) I wish to take this opportunity to thank this August Body for allowing me to testify before you which I consider an honor and privilege which I will never forget as long as I live.

My name is Leonardo M. Cancio, I was a former Philippine Scouts, a military retiree with 31 years of military service. I was a former member of Co. "D" 45th Infantry Regiment. I was stationed at Camp Limay, Bataan, where we made our last stand against the Japanese Imperial Forces.

Please allow me to brief you about the Philippine Scouts (US Army). They are Filipinos and natives of the Philippines. They first saw service with the United States Army in 1898 during the Spanish American War in the Philippines. They were at that time hired as guides by the United States Army. Seeing the need for fighting men, since there was war between the United States and the Philippine Forces under General Emilio Aguinaldo of the Philippine Scouts were organized and made a component of the United States Army as of October 1, 1901. The strength of the Philippine Scouts was 12,000 fighting men as authorized by the Congress of the United States.

When the Japanese Imperial Forces attacked the Philippines on December 7, 1941, the Philippine Scouts fought gallantly side by side with the United States Army in Defense of Freedom and Democracy. Because of the overwhelming odds against them, Bataan was forced to surrender on April 9, 1942, and Corregidor on May 6, 1942. Those that were in Bataan were forced to participate in that infamous Bataan Death March, which terminated at Camp O'Donn[illegible] Capas, the Japanese Concentration Camp. After three long years of Japanese Occupation, praying and waiting for the Liberation Forces, the Philippines was liberated in the early part of 1945.

Following the liberation of the Philippines, Philippine Scouts reported to the Military Control. They were then organized into several Military units. Following the organization, they were paid regular Army pay. They were also naturalized as American citizens which they were all grateful.

Then the Philippines was granted independence on July 4, 1946, the Philippine Scouts were disbanded and were assigned to different Regular Army Units. Those with 20 or more years service retired from the service, and others continued their military service. Most went to the United States.

In 1962 the first resolution was introduced by the late Congressman John Baldwin of Martinez, Calif., pertaining to the equalization of pay of the Philippine Scouts. Bills after bills were introduced, but unfortunately none were heard until now.

To obtain support for the passage of the bill I wrote several members of the Congress, newspapers, the California Legislature, the secretary of defense, the Department of Justice, the Philippine Embassy in Washington, D.C., and almost all presidents of the United States. I have here with me letters from those responded.

Mr. Chairman and members of the committee with your permission I wish to read a portion of the Congressional Record, Proceedings and debates of the 97th Congress First Session, Washington, Thursday, February 26, 1981.

In addition to the two legislations I just read, a telegram was sent to the Commander-In-Chief South West Pacific, which I will read. You have a copy of the legislations and telegram mentioned.

It is interesting to note that the bills mentioned were issued and passed during those darkest days when we were fighting desperately in that narrow peninsula of Bataan, buying precious time while waiting for that promised convoy of reenforcement from the United States. The promised relief was supposed to help us defeat the Japanese Imperial Forces. Unfortunately none came or arrived until we were forced to surrender on April 9 and May 6, 1942.

Mr. Chairman and members of the committee, in closing I strongly request that the committee pass and approve H.R. 1179 in view of the Senate passed equalization of pay bill in 1942, and when the Military Affairs Committee of the House of Representatives reported the same legislation favorably to the House. Let us not also forget the Telegram sent to the Commander In Chief South West Pacific.

I solemnly hope and pray that the solemn commitment of the United States will be fulfilled NOW, a commitment for equal pay for equal service.

Thank you very much for listening.

Mr. PANETTA. Mr. Cauntay.

STATEMENT OF VINCENT CAUNTAY, PHILIPPINE SCOUTS

Mr. CAUNTAY. Mr. Chairman, I am Vincent Cauntay. I am a retired captain of the U.S. Army. I served with the Philippine Scouts, Anti-Tank Company, 57th Infantry Regiment.

My friends or my comrades have presented to you what the Scouts are, and what they have done. There is no doubt I think in the minds of the members of this committee the valor that the Scouts have performed in combat, and their dedication to the United States.

What we are here for today is the disparity that was given to the Philippine Scouts. I have submitted to you two pieces of paper, my finance record and my activity during the Japanese occupation. This will justify what every Scout has done.

I am using myself as one example. If you go through the pile in your hand and you have a chance to look into it, you will find in my finance record the amount of money that I was getting, on a little piece of paper like this. I was receiving $9.

And the second page that I have is the affidavit of my commanding officer of the guerrilla unit which he organized. And it was organized during the Japanese occupation. In that unfortunate operation, I was wounded in action. I landed in the hospital for 8 months.

[The following information was received for the record:]

REPUBLIC OF THE PHILIPPINES)
MUNICIPALITY OF TUY) S. S.
PROVINCE OF BATANGAS)
X - - - - - - - - - - - - - X

AFFIDAVIT

I, SALVADOR B. RILLO, of legal age, married and resident of the municipality of Tuy, Province of Batangas, Philippines after having sworn to according to law, depose and say:

1. That I was the organizer and all over commander of the Rillo-Neri Unit, Fil-American Irreguler Troops, organized under the authority of the late Col. Hugh S. Straughn;

2. That I knew personally Vincent G. Country who joined the Rillo-Unit on 10 June, 1942 with the rank of Captain;

3. That he was one of the co-founder of said Unit, and was designated as G-2 covering the areas of the municipalities of Tuy, Balayan, and Calaca, Province of Batangas;

4. That on the year 1944, he was designated Company Commander stationed in the barrio of Leo, municipality of Tuy, province of Batangas;

5. That on Feburary 1st, 1945, he was mortally wounded in the left thigh during the skirmish against Japanese patrol passing thru his sector, wherein his company killed three Japanese soldiers including one Japanese officer;

6. That he was flown to 133rd General Hospital, U. S. Army in Leyte, Philippines where he was treated for almost seven months;

7. That after he was released from the Hospital he joined his outfit, the anti-tank Company 57th Infantry, Philippine Scout on 18 September, 1945; and

8. That Captain Vincent G. Cauntay has rendered effecient service and shown exceptional courage during the critical period of the enemy occupation and that his loyalty to the Commonwealth of the Philippines and the United States was amply demonstrated by his refusal to surrender to the enemy despite General Wainwright's surrender order.

FURTHER THE AFFIANT SAYETH NOT.

Salvador B. Rillo
SLAVADOR B. RILLO
Col. Infentry
Commanding

SUBSCRIBED AND SWORN to before me this 17th day of May, 1948, at the municipality of Tuy, province of Batangas, Philippines.

Felix M. Almanzor
FELIX ALMANZOR
Municipal Mayor
Tuy, Batangas

Mr. CAUNTAY. These records are to show what we are. Calling your attention to the next document, it is general orders directing the Commander in Chief in the Southwest Pacific of which the general was in command.

At the time of war, our President is Commander in Chief of the Army and all of the operations. I think that the authority was official. And it was not only disseminated to the lower echelon, because in the Philippines the only thing was the guerrilla fighting during the Japanese occupation.

Gentlemen, there is no way that these orders could be disseminated, because there is no station to get this out. There was fighting there. There were no other troops fighting in the Philippines during the Japanese occupation except the guerrillas. We were the guerrillas, which were mainly handled by most of the scouts who remained alive and escaped the death march.

To me, it is a justification and the responsibility of our government to pay us the same amount of pay for the same services in our Armed Forces.

I am going to tell you about two Filipino regiments that were inducted in the United States way back in 1942. They were training here in the United States preparing to fight the war. We were already there fighting the war. We continued fighting the war.

In spite of that, all of the Filipinos, they were receiving the regular pay, but we were paid half of what they were getting. And that was at the outbreak of the war after the time that we returned in the early part of 1945 when the replacement depot was established where all of the military should report.

And that was the only time that these scouts were discharged, and then they were reenlisted to the Army of the United States. After they were reenlisted to the Army of the United States, that was the time that this directive was implemented, in spite that this directive came out in 1942 just a couple of months after the fall of Bataan.

That is, gentlemen, the issue before you. If you analyze the whole thing, I think that you are going to open your mind and see the injustice done to our pay records.

At this point, gentlemen, I want to thank you all for listening to me, and I want to thank all of the people responsible for us bringing this issue to you. I want to thank you.

Mr. PANETTA. Thank you, Mr. Chairman. Obviously, these men, I hope you understand, speak from the heart. Sometimes it is difficult to understand, but I think that you get the message. All of these three individuals served in the Philippine Scouts. All three of them fought. And yet, even though they were in the U.S. Army, they still did not get pay that they were entitled to. And that is really the issue that we bring to your attention at this time. I thank you for the time.

Mr. ROBINSON. Thank you, Mr. Panetta.

The Chair at this time will yield to Mr. Hillis.

Mr. HILLIS. Thank you, Mr. Chairman. I certainly want to thank you for coming before the subcommittee today, and telling us what has happened. Certainly, we all owe you a debt for the service that you have given to our country, and we are very much aware of it.

I was quite young at the time. I remember the Battle of Bataan and Corregidor quite well, and what it meant to us, and the contribution that you made to the cause.

How many approximately would you estimate are surviving today of the Philippine Scouts that were involved in the action?

Mr. CANCIO. I think I can answer that. The latest information that I have got is that there are 2,500 still alive.

Mr. HILLIS. Of 12,000, 3,500?

Mr. CANCIO. Yes.

Mr. PANETTA. Thirty-five hundred or twenty-five hundred?

Mr. CANCIO. Twenty-five hundred. This figure that I gave is based on those that are receiving benefits from the U.S. Army.

Mr. HILLIS. Now are you receiving, those of you who have served, are you recognized and receiving full benefits as a veteran of the Army of the United States, and the medical benefits and all, the various types of veterans benefits?

Mr. CANCIO. Yes.

Mr. HILLIS. So the main question here is the disparity of pay for the years that you were on active duty during the World War II period?

Mr. CANCIO. From the outbreak of the war, December 7, 1941, and to the time that we reported. Because we reported individually in 1945 up to late 1946.

Mr. HILLIS. The old War Department of the Department of Defense has those dates and those records now. Thank you. That is all the questions that I have, Mr. Chairman. Thank you for being with us today.

Mr. ROBINSON. Mr. Hunter.

Mr. HUNTER. Thank you, Mr Chairman.

Gentlemen, I bring greetings from my father who was a marine who landed at Leyte in I think 1943 or 1944. It looks to me like you relied on the authority of Gen. Douglas McArthur when he said, "Every member of command shall receive equal pay and allowances based upon the U.S. Army pay scale regardless of nationality."

While it is Congress who passes the laws with regard to pay, I think that an attorney would say that there is a pretty good case of obstensible authority here. You certainly rendered the country an enormous service. And I would offer Mr. Panetta my cosponsorship of your measure. I fully support you. Thank you for what you did for the United States. We appreciate it.

Mr. CANCIO. Thank you for the kind remarks.

Mr. ROBINSON. Mr. Sweeney.

Mr. SWEENEY. Yes, gentlemen. You say that it is a great moment for you to appear before our subcommittee here today. Let me say that it is a great moment for us to have you here. And in hearing what you have to say, to glimpse a little bit of our Nation's history and our Nation's very glorious past.

We are also very appreciative to Mr. Panetta for his diligence and purpose in bringing this before our subcommittee for consideration.

And let me say that we appreciate the sacrifice that you have made not only in the past, but the sacrifices that you have made in bringing this and the persistence that you have offered in bringing this before our committee.

I have only two questions. And looking to Mr. Panetta as the respected spokesman and also as a respected Member of this body, I would like to direct my two questions to him very briefly.

I am, gentlemen, a newer Member of Congress, so I am not quite as familiar with some of the precedents that might have been established on matters such as these.

Mr. Panetta, could you offer for us some greater understanding or clarity of the precedent which would parallel or be similar to the action which we are considering here today, or is this in fact so unique and so special that there is no precedent?

Mr. PANETTA. It is a unique situation, because it involves a unique status. They were members of the Philippine Scouts at the time that the Philippines were still a territory. So they essentially were members of the U.S. Army. And when the war broke out, they actually performed in that capacity.

And it was then that General MacArthur made his particular commitment. I have researched this, and I am not sure that you can tie this to another precedent in which that kind of commitment was made during the time of sacrifice. And it is for that reason that we are dealing with what I think is a unique situation involving these particular individuals.

Mr. SWEENEY. My second question has to do with what my colleague, Mr. Hunter, referred to, and that was MacArthur's statement which was made at the time, and which you use as a foundation, a pretty broad foundation for your case here today.

Was there at the time any understanding to your knowledge, Mr. Panetta, or from your research, any indication of congressional intent or congressional support for MacArthur's statement?

Mr. PANETTA. The only thing was that once MacArthur had made the statement, then obviously the Congress then proceeded during the period of the war to pass legislation to make that happen, to make the actual change. And in fact, it passed the U.S. Senate. It was on the House side. And by that time, the surrender took place. So then no action was then taken to follow up on the legislation.

Mr. SWEENEY. Could we have those documents or documentation?

Mr. PANETTA. I will be happy to give you the history that we have on that for your purposes.

Mr. SWEENEY. Let me just say, gentlemen, in conclusion that I admire your heroism, as I said, not only in your past actions on behalf of this Nation, but also in bringing this to us today, and allowing us to be able to consider it further. Thank you. And thank you, Mr. Chairman.

Mr. ROBINSON. Before we adjourn, I would just like to echo what my colleagues have said, and tell you that I appreciate what you have done, and I appreciate your testimony. And I will support your efforts in the U.S. Congress.

At this point, I will put Representative Blaz', Akaka's, and Mr. Dymally's statements in the record.

[Statements follow:]

PREPARED STATEMENT OF HON. DANIEL K. AKAKA, A REPRESENTATIVE FROM HAWAII

I welcome the opportunity today to present testimony in support of H.R. 1179, introduced by my colleague, Leon E. Panetta. H.R. 1179, the Philippine Scout Pay Equity Act, simply provides retroactive pay equalization for World War II Philippine Scouts.

For years now, the question of equal pay for equal work has been floating around the halls of Congress. Surely, we have all heard of existent inequities in the form of lower wages for comparable jobs. Likewise, we are aware that such inequities merely serve to reinforce discriminatory intentions. This concept of inequity exists today. So, should we fail to positively consider legislation such as H.R. 1179, we may add ourselves to the list of proponents of such inequity.

Should we choose to ignore the need for this legislation on what premise shall we base such a decision? Shall we question the Filipinos loyalty to our cause, thereby creating a reason for denial of just compensation?

When, in 1941, President Roosevelt invoked the provisions of the Tydings-McDuffie Law, he called to active service all organized military forces of the Philippine Commonwealth and ordered that they be merged with the United States Army, under the command of General MacArthur. Not surprisingly, the official Philippine attitude at all times since that development was one of wholehearted loyal cooperation with the United States. In fact, President Quezon, in his annual message to the Philippine Assembly stated that the Filipino people were ready to bear their full share of responsibility in cooperation with the United States in execution of the defense program. Well, there seems to be no room here to question the Philippines' loyalty to the strategies of the United States.

Shall we, therefore, question the loyalty of the individuals who comprised the force known as the Philippine Scouts?

We could not support this contention. Such support would have to be based on an invention of the human mind, for history recounts only the significant role that these men played in helping the United States achieve victory in the South Pacific. Throughout the course of events, the Philippine Scouts stood by their American counterparts. At Bataan, though inadequately supplied and sheltered, the Scouts continued to face the enemy. With little news from the outside world, their rations cut again and again, these men struggled valiantly until, weakened by tropical disease and malnutrition, they could fight no more. Though defeat was inevitable, the Scouts remained. And the Scouts remained until the fighting was over. Hence, there is no room to question the loyalty of these men.

Where then does the question lie? Critics of this legislation maintain that there was no problem in attracting sufficient numbers of volunteers into the service of the Philippine Scouts despite existent pay differentials. Is this truly the case? Perhaps their sense of loyalty permitted them to remain oblivious to such differences. Or, perhaps General MacArthur's assurance was sufficient when he said: "War is the great equalizer of men. Every member of my command shall receive equal pay and allowances based on the United States Army pay scale regardless of nationality."

Critics of this plan also contend that the treatment of the Philippine Scouts, when they served alongside the U.S. soldier in the Philippines, is no different than the treatment of foreign nationals who, today, serve beside our forces overseas. Clearly, the situation of the Philippine Scout cannot be analogized to such instances. The Scouts not only served alongside the American force, they served also as a component of that force, not as a separate entity, but as one in the same. Hence, that argument does not hold. Despite criticism, equal pay for equal work, or in this case, equal pay for equal risk, is compatible with the way we fight wars. The very idea of rendering awards on the basis of merit is fundamental to the way we fight wars. Were this not the case, why then would there be a need for medals of honor, purple hearts, or other such medals of valor? It is with this understanding that I support the concept of retroactive pay equalization for the Scouts.

The question here is: Does equal sacrifice and equal risk deserve equal payment? The answer, in my mind, is clear. We must not allow such inequity to remain uncorrected. H.R. 1179 presents a reasonable and just solution which does not lose sight of Congress' efforts to balance the budget. It calls for a small amount of money to correct a problem for action is long past-due.

In supporting H.R. 1179, I do not wish to imply that the U.S. has not recognized the role of the Scouts, nor do I wish to imply that the U.S. has done nothing for the Scouts. I realize that some action has been taken to "take care of" the Scouts. Yes, it is true that in 1946 the Government recognized the discrimination, and thus equalized the pay for the Scouts. Yes, it is true that from the standpoint of Veterans' Affairs this country has tried to help protect the Scouts. However, we have yet to provide for retroactive equalization. Until such action is taken, our task is not complete. H.R. 1179 seeks to complete it. It asks only for that which is truly deserved, no more, and no less. In my mind, the task is simple.

I commend my colleague, Representative Panetta, for his undying interest in this matter. I support his efforts, and I support his desire to correct this long standing wrong. It is a question of merit. It is a question of equity. When all is said and done, it is a question of our recognition of the significance of the services of these Scouts to our country.

PREPARED STATEMENT OF HON. MERVYN M. DYMALLY, A REPRESENTATIVE FROM CALIFORNIA

Mr. Chairman, I wish to submit for the record my support of House Resolution 1179; the Philippine Scouts Pay Equity Bill. I applaud the expeditious manner within which the Subcommittee on Military Personnel and Compensation has moved to consider this long overdue piece of legislation. My dear friend from our home state of California, Mr. Panetta, deserves all the credit for his tireless efforts on behalf of the Philippine Scouts who sacrificed and risked their lives for the security of this nation.

Mr. Chairman, we all so often refer to ourselves as the greatest nation on the face of this planet. Unfortunately, we sometimes fail to recognize the forces behind the struggles and success that made us great. At times of serious challenges, such as World War II (WWII), our leaders have been timely in making decisions in recognition of the assistance our country received from allies and friends. Somehow some of these responsible pledges go unfulfilled.

I refuse to believe that these decisions were mere words and rhetoric to assure ourselves of continued support, nor accept that our success discharged these decisions. I would like, however, to believe that some misunderstanding and oversight resulted in the unmet pledges. And that now, we as leaders of this great country are seeing to it that past due commitments are fulfilled. That ability to correct these injustices makes this nation great; that Mr. Chairman is our responsibility and duty.

It appears that my friend Mr. Panetta and I are lobbyists for the Filipino World War II Veterans. I also authored a bill, H.R. 1302, that my friend was kind enough to cosponsor. In that bill, the intention is to provide Filipino WWII veterans with the opportunity to become United States citizens as was permitted in the Nationality Act of 1940 by Congress. The principle is consistent; we made a commitment and must live up to it. I only wish that the Judiciary Committee has moved on my bill as quickly as your Subcommittee has on H.R. 1179.

Mr. Chairman I am speaking of individuals who without reservation offered their lives in the effort to protect our democracy. The record clearly speaks on their loyalty and bravery in fighting our war. To set their risk apart from that of American soldiers is purely unfair. I urge you and members of your Subcommittee to set the record straight, and grant these deserving men their due justice. Thank you.

PREPARED STATEMENT OF HON. BEN BLAZ, A DELEGATE FROM GUAM

War is the great equalizer of men, General Douglas MacArthur once said. For the Philippine Scouts, one of the bravest and most decorated units ever to serve in an American army, the words hold special meaning.

The Scouts were an elite fighting unit of Filipino soldiers who distinguished themselves and honored their nation, fighting by the side of American soldiers, in the gallant defense of the Philippines against a numerically superior Japanese invasion force at the outset of World War II in the Pacific.

Yet, a bitter irony was born of those historic battles. Despite MacArthur's promise that every member of his command would receive equal pay regardless of nationality, the Scouts were paid less than a third what their American counterparts received.

The courage and professionalism of the Scouts is a matter of historical record. Organized in 1901, the unit grew steadily until by 1941 it numbered 12,000. When the Japanese landed at Lingayen Gulf, the Scouts were with the U.S. forces that attacked the invasion force.

The Scouts fought in the historic battles of Corregidor and Bataan, were subjected with captured American forces to the infamous Bataan Death March; many of the Scouts escaped to organize guerrilla units in the hills and resisted the Japanese occupation, preparing the way for MacArthur's triumphant return in 1944.

Despite their heroism and strategic contribution to the war effort, the Scouts were denied equal pay and benefits. A private in the Scouts was paid about $9 a month compared to $30 for an American of the same rank and length of service.

At the height of the defense of the Philippines, Congress tried to equalize pay as the Scouts fought and died beside their American allies. The fall of the Philippines prevented passage of the measure and the move to do justice to these brave and loyal troops faded with passage of time. Now we have another chance to correct this historic injusitice.

Under H.R. 1179, the total cost of righting this wrong is $9 million. As a retired Marine general, I can understand and appreciate the contribution of these loyal troops. I feel a special responsibility to co-sponsor and urge passage of H.R. 1179. It is time to pay this long-overdue debt of honor.

Mr. ROBINSON. If there is no further business, we stand adjourned.

Mr. PANETTA. Thank you very much, Mr. Chairman.

[Whereupon, at 4 p.m., the subcommittee adjourned, subject to the call of the Chair.]

INDEX

CHRONOLOGICAL LIST OF HEARINGS

Page
Tuesday, March 19 (fiscal year 1986 manpower requirements) 1
Thursday, March 21 (manpower overview) 343
Tuesday, April 2:
  (Reforming the military retirement system) 463
  (H.R. 1179—Philippine Scouts Pay Equity Act) 543
Wednesday, April 3 (reforming the military retirement system) 515

PRINCIPAL WITNESSES WHO APPEARED IN PERSON OR SUBMITTED WRITTEN STATEMENTS

Aspin, Hon. Les, a Representative from Wisconsin, chairman, House Committee on Armed Services; and chairman, Military Personnel and Compensation Subcommittee 1, 343, 463, 515
Bickerman, John, research director, Center on Budget and Policy Priorities 522
Binkin, Martin, senior fellow in foreign policy studies, Brookings Institution 518
Blue Cross and Blue Shield Association 272
  Costs, shifts Federal to private sector 272
  Fifth amendment, violates the 273
Cassidy, Lt. Gen. Duane H., Deputy Chief of Staff, Manpower and Personnel, Department of the Air Force:
  Statement 201
    Spouses, military 262
  Prepared statement 205
    Additional issues 223
    People supports 216
    Recruiting objectives 212
      Enlisted 212
      Officers 213
    Total force, structuring the 208
Coats, Hon. Dan, a Representative from Indiana, ranking minority member, Select Committee on Children, Youth and Families:
  Statement 26
  Prepared statement 28
Elton, Lt. Gen. Robert M., Deputy Chief of Staff for Personnel, Department of the Army:
  Statement 29
    Cohort Program 260
    Pay freeze, effect of 255
    Quality of life 32
    Readiness 30
    Recruiting 30
  Prepared statement 33
    Accessions 40
    Army Family Action Plan II 63
    Manning system, new 51
    Manpower:
      Civilian 53
      Management 50
      Military, mobilization 47
      Pretrained individual (PIM) 48

    - Officer programs 43
    - Quality of life 54
    - Reserve Component Program 45
    - Retention 41
    - Soldier oriented research and development 52
- Gabriel, Gen. Charles A., Chief of Staff of the Air Force:
  - Statement 476
    - Personnel, high tech effect on 486
  - Prepared statement 477
- Hale, Robert F., Assistant Director, National Security Division, Congressional Budget Office: Statement 520
- Hillis, Hon. Elwood H. (Bud), a Representative from Indiana, ranking minority member, Military Personnel and Compensation Subcommittee:
  - Statement 254, 347, 464
  - Prepared statement 255, 464
- Kelley, Gen. P.X., Commandant of the Marine Corps:
  - Statement 479
    - New recruits, cost of 512
  - Prepared statement 480
- Korb, Hon. Lawrence J., Assistant Secretary for Manpower, Installations and Logistics, Department of Defense:
  - Statement 347
  - Prepared statement 350, 363
    - Active component military manpower 350
    - Bonuses 360
    - Manpower:
      - Active component, military 350
      - Civilian 354
      - Reserve component 354
    - PCS moves 359
    - Retirement system 363
- Lawrence, Vice Adm. William P., Deputy Chief of Naval Operations for Manpower, Personnel and Training, and Chief of Naval Personnel:
  - Statement 151
    - Budget request 151
    - GI bill 254
    - Pilot retention 266
  - Prepared statement 153
    - I. Introduction 153
    - II. 1981-1989 midcourse review 155
      - Management improvements 174
        - Women in the Navy 178
      - Personnel readiness 160
        - Nuclear officer shortage 161
      - Quality of life improvements 182
      - Recruiting 158
      - Reducing negative influences 167
      - Retention improvements 163
      - Total force management improvements 169
      - Training and education initiatives 180
    - III. Midcourse corrections in the fiscal year 1986 budget request 185
      - Compensation and legislative issues 189
      - Personal expenses, reimbursement of 195
      - Recruiting resources, increase 188
      - Strength 185
    - IV. Conclusion 199
- Leonard, Herman (Dutch), associate professor of public policy, John F. Kennedy School of Government 516
- McKinney, Sgt. Maj. C.A. (Mack) (ret.) USMC, vice president for government affairs, Noncommissioned Officers Association of the United States of America:
  - Prepared statement 456
    - Family issues 457
    - Military:
      - Compensation 456
      - Manpower in the eighties 456
      - Retirements 458
      - Strengths 457
    - Personnel programs, other 457

- Maloney, Lt. Gen. W.R., Deputy Chief of Staff for Manpower, USMC:
  - Statement 228
    - DOPMA 261
  - Prepared statement 231
    - Drug and alcohol abuse 247
    - Family services 248
    - Quality of life 242
    - Recruiting 250
    - Total force 231
      - Civilians 238
      - Enlisted 235
      - Officers 234
      - Readiness and modernization 240
      - Requirements 232
      - Reserve 239
      - Training 237
- Montgomery, Hon. G.V. (Sonny), a Representative from Mississippi:
  - Statement 343, 465
  - Prepared statement 345
- Panetta, Hon. Leon E., a Representative from California:
  - Statement 10
  - Prepared statement 13
- Piper, Edward G.: Statement 460
- Rice, Capt. John C., Jr.:
  - Prepared statement 426
    - Air wings, Reserve tactical 447
    - Antisubmarine warfare 429
    - Arapaho system 456
    - Deputy Chief of Naval Operations (Naval Reserve) 453
    - Expanded recall authority 454
    - Family support 452
    - HAL/HC squadrons 448
    - LAMPS MK-I helicopters 441
    - Mine Warfare Craft of Opportunity [COOP] Program 446
    - Naval construction force (Seabees) Reserve 449
    - Naval Reserve frigates, towed-array for 443
      - Trainer 444
    - P-3A/B AQA-7 (V10-12) update 436
    - Reserve marine patrol [VP] squadrons 431
      - Total force requirements 434
    - Sea Air Mariner [SAM] Program 453
    - STM schedule 439
- Schroeder, Hon. Patricia, a Representative from Colorado:
  - Statement 1
  - Prepared statement 4
- Shapiro, Kenneth, president, Hay-Huggins, member, the Hay Group: Statement 516
- Thomas, Master Chief John B.:
  - Prepared statement 458
    - Compensation 459
    - Naval Enlisted Reserve 458
    - Naval Reserve strength 458
    - NRF ships 459
- Watkins, Adm. James D., Chief of Naval Operations:
  - Statement 465
    - Retirements, importance of military 467
  - Prepared statement 468
- Webb, Hon. James R., Assistant Secretary for Reserve Affairs, Department of Defense:
  - Statement 367
    - Advertising and recruiting resources 403
    - European troop strengths 402
    - Full-time support, Army white paper 416
    - House goods weight allowances 402, 403
    - IRS ruling hurting military homeowners 410
    - Manpower:
      - Future requirements 407
      - Research 412
    - Medical:
      - Care, quality of 405

        - Coverage for reservists 419
        - Readiness planning in European Command, joint 418
    - Pay raise 410
    - PCS reimbursements 404
    - Physician shortage 419
    - Private sector benefits 424
    - Reserve:
        - Incentives, proposed 413
        - Officer Personnel Management Act 421
        - Simulators, use of 414
    - Selected Reserve average strength shortfalls 413
    - Student loan repayment authority expanded 417
    - Training:
        - Considerations 411
        - IRR 417
    - Variable housing account, changes to 404
    - Weight allowance, house goods 402, 403
- Prepared statement 369
    - Army National Guard 369
    - Army Reserve 369

Wickham, Gen. John A., Jr., Chief of Staff of the Army:
- Statement 471
    - Future forces, nature of 492
    - Personnel, quality of 502
    - Reenlistment factors 472, 509
    - Retention, effect on 497
    - Retirement costs 502
    - Tank crew performance 487
- Prepared statement 473

H.R. 1179—PHILIPPINE SCOUTS PAY EQUITY ACT

Akaka, Hon. Daniel K., a Representative from Hawaii: Statement 568

Aspin, Hon. Les, a Representative from Wisconsin, chairman, House Committee on Armed Services; and chairman, Military Personnel and Compensation Subcommittee 547

Blaz, Hon. Ben, a Delegate from Guam: Statement 569

Cancio, Leonard M.:
- Statement 557
- Prepared statement 562

Cauntay, Vincent: Statement 563

Dymally, Hon. Melvyn M., a Representative from California: Statement 569

Olea, Glenn: Statement 552

Panetta, Hon. Leon E., a Representative from California:
- Statement 547
- Prepared statement 550

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